

The Incorporated Accountants' Journal.

THE OFFICIAL ORGAN OF

The Society of Incorporated Accountants and Auditors



THE INCORPORATED ACCOUNTANTS' JOURNAL is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Contents.

	PAGE
Professional Notes	157
"Free of Tax" Investments (Article)	161
Transfer of Debtor's Property to Private Company (Article)	162
The Functions of Expert Referees (Article)	164
Comparisons of Rates in Towns and Urban Districts	165
Obituary	165
Accountants' Liability to Third Parties: Decision by the New York State Court of Appeals	167
Society of Incorporated Accountants and Auditors:	
Examination Results in South Africa	174
Council Meeting	177
Membership	183
Unemployment Insurance Commission	175
Company Registrations at Somerset House	178
The Public and the Stock Exchange: Lecture by Sir Stephen Killick, F.S.A.A.	170
Lectures and Transactions—Review	184
Depreciation Rates and Income Tax	184
Incorporated Accountants' Benevolent Fund	185
New System of Settling Accounts Through Banks	185
Public Auditors	185
Accountancy Training: Address by Mr. Ivor Davies, A.S.A.A.	189
Annual Dinners of Incorporated Accountants:	
Irish Branch	190
Bradford and District Society	194
Notts, Derby and Lincoln Society	200
District Societies of Incorporated Accountants	193
Joint Stock Company Finance: Lecture by Mr. Thomas Keens, F.S.A.A.	196
Changes and Removals	201
Royal Naval Reserve (Accountant Officers) Annual Dinner	202
Scottish Notes	202
Legal Notes	203

Professional Notes.

THE Council of the Society of Incorporated Accountants and Auditors at its first meeting in 1931, held on January 22nd, passed a resolution recognising the great loss sustained by the Society through the death of Sir Charles Wilson. The Council directed that a resolution of condolence

should be sent to Lady Wilson and the members of the late Sir Charles Wilson's family. A record of the late Sir Charles Wilson's services to the Society over a long number of years will be found in another column.

At the same meeting of the Council a resolution was adopted congratulating Sir William Plender, Bart., upon the Peerage to be conferred upon him by the King as announced in the New Year's Honours List. It is now officially stated that the new Peer's title will be Baron Plender of Sundridge in the County of Kent. The President of the Society, Mr. Henry Morgan, informed the Council that he had sent a private communication to Sir William Plender in relation to the sad loss he had sustained by the death of Lady Plender upon the eve of the announcement of his preferment to the House of Lords.

In the House of Commons on January 23rd the Solicitors (Clients' Accounts) Bill, introduced by Sir John Withers, the text of which was explained in our August issue, was read a second time and referred to a Select Committee, where it will be considered in conjunction with the Bill to amend the Solicitors Acts, 1839 to 1928, which has been introduced into the House by Sir Dennis Herbert on behalf of the Law Society, and which is down for second reading on February 20th. The Solicitor-General, Sir Stafford Cripps, said that the Government supported the second reading in the hope that out of the two Bills there might emerge an agreed measure which could be passed through Parliament.

In moving the second reading Sir John Withers said that some people rightly thought that keeping clients' money in a separate account would not prevent a solicitor from stealing it. That was quite true and was a sound criticism as far as it went, but when you came to think of it no preventative action of any kind could be complete. If you crossed a cheque that did not prevent its being stolen, but it made it very difficult to negotiate. Preventative legislation could not be complete. This is an absolute truth, and we hope that critics of the incompleteness of Acts of Parliament will bear this truth in mind.

It will be remembered that Sir John Withers' Bill provides that a solicitor on taking out his certificate shall produce to the Law Society for the previous year a certificate from an accountant showing that he has kept proper books,

that he has complied with the provisions of the Act, and that he has sufficient moneys in hand to meet the demands of his clients at the particular date. The Law Society is to require this certificate before giving him a certificate to practise. All the speakers in the House bore testimony to the high standard of conduct of the solicitors' profession generally, but the whole object of both Bills is to deal with the black sheep who bring trouble on the profession and inflict grievous losses on clients, especially upon those who are unable to bear them. Mr. A. M. Samuel, in the course of the debate, took exception to the view that the well-to-do man was not entitled to the same protection in regard to large estates as another man would receive in relation to an estate of, say, only £500, but a question such as this is one which the Select Committee will no doubt thrash out when it has both Bills in front of it.

While considering the foregoing Bills, it is interesting to point out the following resolution which was adopted by the Council of the Society of Incorporated Accountants and Auditors at its meeting referred to above:—

"That the Council of the Society of Incorporated Accountants and Auditors recommends all members to observe the current practice adopted by Incorporated Accountants of keeping the moneys of clients in a separate banking account or banking accounts exclusively used for the purpose."

In our issue of August last we published an important judgment of a case in the Appellate Division of the New York Supreme Court dealing with the liability of accountants to third parties in respect of accounts certified by them. We now publish the judgment of the Court of Appeals of the State of New York in the same case, namely, *Ultramarines Corporation v. George A. Touche and Others*. The case is a very important one and should be carefully studied by all practising accountants.

The action brought was for damages suffered through misrepresentations by the accountants, the first cause of action being for misrepresentations which were merely negligent, and the second for misrepresentations claimed to have been fraudulent. The certificate was given to the clients with the knowledge that in the usual course of business the certified accounts would be exhibited by them to Banks, Creditors, Stock Holders, &c., according to the needs of the occasion. On the faith of the accountants' certificate the plaintiffs in the action made loans

to the company whose balance sheet had been certified, such balance sheet showing a surplus of over a million dollars.

The Court came to the conclusion that the evidence supported a finding that the audit was negligently made, but the question then arose whether negligence was sufficient to support a claim by a third party—that is, by someone with whom there was no privity of contract. The Court decided that the defendants owed to their employer a duty to make the certificate without fraud, and also a duty growing out of the contract to make it with care and caution proper to their calling. To creditors and investors to whom the employer exhibited the certificate the defendants owed a duty to make it without fraud, since there was notice in the circumstances that the employer did not intend to keep it to himself, but there was not the same duty to make it without negligence. In the words of the Judge: "If liability for negligence exists, a thoughtless slip or blunder, the failure to detect a theft or forgery beneath the cover of deceptive entries, may expose accountants to a liability in an indeterminate amount for an indeterminate time as to an indeterminate class. The hazards of a business conducted on these terms are so extreme as to enkindle doubt whether a flaw may not exist in the implication of a duty that exposes to these consequences."

The Court accordingly held that negligence alone was not sufficient to establish liability in the case of third parties, but added: "Our holding does not emancipate accountants from the consequences of fraud. It does not relieve them if their audit has been so negligent as to justify a finding that they had no genuine belief in its adequacy, for this again is fraud. It does no more than say that if less than this is proved, if there has been neither reckless mis-statement nor insincere profession of an opinion, but only honest blunder, the ensuing liability for negligence is one that is bounded by the contract, and is to be enforced between the parties by whom the contract has been made. We doubt whether the average business man receiving a certificate without paying for it and receiving it merely as one among a multitude of possible investors, would look for anything more. Public accountants are public only in the sense that their services are offered to anyone who chooses to employ them. This is far from saying that those who do not employ them are in the same position as those who do." The effect of the judgment is to reverse the decision of the Appellate Division

as to the first cause of the action. As to the second cause of action, namely, the question of fraud, the decision of the lower Court is reversed and a new trial granted.

We publish this month a lecture on "The Public and the Stock Exchange," given by Sir Stephen Killik to the South of England District Society of Incorporated Accountants. After describing the course of business, and the relations of broker and jobber, &c., Sir Stephen explains the method of government of the Stock Exchange. He finally deals at some length with the action of the Stock Exchange in relation to the Hatry crisis, and takes an opportunity to correct an erroneous impression which appears to be entertained in some quarters as to what actually happened. In his opinion great credit is due to the Committee of the Stock Exchange, and particularly to the Special Committee who worked so successfully to bring about a solution of the complications which arose. He considers that the postponement of the settlement was undoubtedly in the public interest, the ultimate result being that every member of the public who bought shares had good shares delivered to him, and everyone who sold shares received payment in full. The public, therefore, did not suffer in the Hatry crisis through their relations with the Stock Exchange. On the contrary members of the Stock Exchange who were not in any way interested in the dealings in the Hatry stocks made generous voluntary contributions to facilitate the settlement.

Accountant students should not omit to peruse the short address on "Accountancy Training" by Mr. Ivor Davies, A.S.A.A., which we publish in another column. The address embodies much sound advice not only in relation to their studies but also as to how they may get the most out of their every day experience. Some useful hints are likewise added as to the attitude of juniors towards their seniors.

The figures relating to the cost of fire damage during the year 1930 are now available, and show that the losses for that year were £9,016,000, as against £11,784,000 for the year 1929. Notwithstanding the apparent decrease the year 1930 shows the heaviest losses since the year 1923 with the exception of the year 1929 during the greater part of which the weather was exceptionally dry and the losses abnormally high. The heaviest losses occurred in the months of January and November, the former being

accountable for nearly £1,400,000 and the latter for more than £1,500,000.

Some interesting statistics have been published by the *Financial Times* showing the falls which have taken place in the values of commodities during the last ten years, and also the fall between 1928 and 1930 and between 1929 and 1930. The figures (which relate to wholesale prices) are summarised as follows:—

GROUP.	Fall between 1920 and 1930.	Fall between 1928 and 1930.	Fall between 1929 and 1930.
	Per cent.	Per cent.	Per cent.
Cereals	— 62·7	— 27·0	— 22·3
Meat	— 48·4	+ 0·1	— 4·8
Other food	— 47·6	— 23·0	— 13·7
Food	— 52·7	— 17·2	— 13·5
Cotton	— 76·8	— 29·2	— 24·4
Other textiles	— 64·8	— 33·1	— 24·7
Iron and steel	— 68·2	— 0·8	— 3·6
Other metals	— 52·0	— 23·8	— 18·9
Fuel	— 55·4	+ 4·2	— 3·9
Misc. materials	— 60·2	— 11·6	— 9·9
Materials	— 65·2	— 16·5	— 15·2
Total	— 59·8	— 16·8	— 14·6

Column 1 shows some remarkable results, the price of food having dropped 52 per cent. and materials 65 per cent. in the course of the ten years. Such a precipitate fall was bound to have a very serious effect on industrial concerns, and the difficulty which has now to be contended with is not only the lower prices of the commodities, but the uncertainty as to whether the bottom has been reached. It will be observed that the fall between 1929 and 1930 was almost as great as the fall in the two years from 1928 to 1930, so that during the year 1928-29 the variation must have been small.

National Savings Certificates to the number of 1,000 millions have now been issued, and His Majesty the King has been presented with a replica of the last certificate making up that number. Speaking at a dinner given at the Fishmongers' Hall in celebration of this event the Prince of Wales paid a special tribute to Sir Robert Kindersley, the first Chairman, and to General Seely, who has been the Chairman of the Committee since 1926. The Prince conveyed to those present a message from His Majesty the King in which he said:—

"In accepting this certificate, I desire to express my appreciation of the zeal and devo-

tion of the many thousands of voluntary workers in the National Savings Movement throughout the country. To them all I extend my congratulations and my thanks for what they have done and are doing to promote habits of wise spending and wise saving—a work of particular value to individuals and to the nation at the present time.”

The value of the National Savings Certificates now invested amounts to £786,000,000, a result which could probably not have been attained by any other means.

A new form of balance sheet has been issued by the Malay Rubber Planters Limited, a company which was formed 25 years ago. The current liabilities are deducted from the liquid assets, and to the balance thus arrived at is added the fixed assets, the total of these two making up the net assets of the company, which are shown to be represented by Share Capital, General Reserve, and Profit and Loss balance. It is claimed that this form of balance sheet makes the position clearer to the ordinary shareholder than the usual form, which is probably correct, but the assets and liabilities of this particular company are of such a simple nature that they are readily adaptable to the form of statement above indicated. The company has no shareholdings in subsidiary companies, and no debentures or other charges upon its assets. Where there is a liability on debentures which is a charge on both the fixed and liquid assets it is not very obvious how the figures would be dealt with.

As usual about this time of the year a number of cases of defalcation in relation to slate clubs have come to light, and although the number may not be great in relation to the aggregate of these institutions, the losses fall on those who are the least able to bear them. The defalcations in connection with these clubs are largely due to looseness of management whereby the control is allowed to fall into the hands of one person who keeps the books and also handles the money. In order to remedy this state of affairs a Bill is to be introduced into Parliament supported by Members of all the three parties in the House.

In another column will be found a summary of Company Registrations at Somerset House during the year 1930, compiled by Messrs. Jordan & Sons, Limited. The total registrations of public companies for the year were 328, as against 623 for 1929, and no less than 63 of the number were clubs and 33 in relation to sports. The capital represented by these 1930 registrations was about

£46,000,000, whereas in 1929 the total was over £156,000,000. The number of private companies registered, viz, 8,082, was almost the same as in the preceding year, but the capital of £58,000,000 was about £15,000,000 less.

The group classification shows that the largest amount of nominal capital of public and private companies combined falls under the head of Iron and Brass, &c., with a total of £17,000,000, Mines coming second with nearly £15,000,000. Chemists, Banks and Food follow next in order. Speaking of the giants and dwarfs, Messrs. Jordan point out that only ten companies were incorporated during the year with capital of a million and upwards, while ten years ago the number was 46. At the other end of the scale several small concerns were registered with a nominal capital of £3, £4 or £5.

We have pleasure in offering our congratulations to Mr. A. B. Clutterbuck, F.S.A.A., upon the completion of his jubilee of service as City Treasurer of Gloucester. Mr. Clutterbuck entered the service of the Corporation of Gloucester in the year 1881, when the staff of the Finance department consisted of an accountant clerk and himself. The work of the department extended, and in 1891 Mr. Clutterbuck was appointed City Accountant when he was only 24 years of age. In the year following he was elected a Fellow of the Society of Incorporated Accountants and Auditors. Mr. Clutterbuck is also a member of the Institute of Municipal Treasurers and Accountants, and is the third senior member of that body. During his service as City Accountant, and subsequently as City Treasurer, City Chamberlain and Registrar of Stock, the work of the Corporation of Gloucester has expanded in a remarkable degree. Mr. Clutterbuck has trained a large number of clerks, many of whom are occupying responsible positions in the accountancy profession.

The occasion of his jubilee was celebrated on January 21st last, when he and Miss Clutterbuck (in the regretted absence of Mrs. Clutterbuck through illness) entertained a number of guests at the Guildhall, Gloucester, among whom were the Mayor and Mayoress, the High Sheriff, and a number of members and officials of the Corporation. The Mayor, on behalf of the members of the Corporation, presented to Mr. Clutterbuck an illuminated address under the seal of the City, and a gold watch suitably inscribed. A further presentation was also made to Mr. Clutterbuck on behalf of the officials of the Corporation.

"FREE OF TAX" INVESTMENTS.

NOTORIOUSLY the words "free of tax" are misleading. Naturally so, for they may mean so many different things. The present contribution has been suggested by a doubt as to what they do mean when found, as they constantly are, in the literature of building societies with reference to the income from deposits made with them or from their preference shares. In any consideration of a question such as this the first thing that must be carefully kept in view is the statutory nullity declared in the Income Tax Acts upon any agreement to pay interest without deduction of income tax. With that prelude, let us proceed to a catalogue of the different degrees of "free of tax."

1. *National Savings Certificates.*—The compound accumulation of interest is free of tax in the fullest sense. No tax is payable either in the years of accumulation or when the accumulated sum is drawn out. Not only so, but the interest is not "income" at all for the purposes of income tax administration. Accordingly it is not to be entered or taken into account in any statement of total income. Naturally, therefore, there can be no refund claim by the holder of the investment; he cannot get back what he has not paid. If this is an exception to the rule of the statutory nullity above-mentioned, the justification is that this exception also rests on statute law.

2. *The Four per cent. Tax Compounded War Loan.*—This was totally different from the preceding. What the investor received was 4 per cent. (without any deduction) on the amount of the stock held by him. But in any statement of his total income he had to include this item. Not only so, but in doing so he had to add on the tax. That is to say, when tax was 4s., if he had actually received £400, it had to be entered as £500, the latter being the amount which after deduction of tax at 4s., would leave the net sum of £400 which he had actually received. Further, there could be no refund of any part of that £100 of tax on any account whatever.

3. *A Testamentary Annuity "Free of Tax."*—This is not struck at by the statutory nullity, for it applies only to contracts, and this is a legacy. The Inland Revenue Department used to maintain (1) that such an annuity of, say, £100, must go into a statement of total income at the £100 only, and not at the larger sum which, after deduction of tax, would leave the £100, and (2) that there could be no refund. But now they have altered on both of these heads. On the

other hand, the Law Courts have stepped in, and they say that any refund obtained on this account must be passed on to the trustees.

4. *Preference Dividends "Free of Tax."*—This also is not struck at by the statutory nullity. That is because this is looked upon as a domestic arrangement regarding the division of taxed profits. With tax at 4s. an actual dividend of £40 figures as £50 in a statement of total income, and the £10 is available for refund purposes. There has never been any doubt regarding this.

5. *Loan Interest expressed simply to be Payable "Free of Tax."*—This case is clearly within the statutory nullity. If the interest in terms of the bond would be £50, nevertheless the debtor is entitled to deduct the tax, and so when tax is 4s. he cannot be compelled to pay more than £40. If the debtor chooses to pay £50 he does so on honour and not on legal obligation, and a trustee in bankruptcy or a liquidator would not only not be bound to pay the £50, he would not be entitled to do so, and would be personally liable if he did. Again, if the debtor pays £50, and pays the tax also to the Department, naturally the Department cannot ask the creditor also to pay the tax. But no refund of tax will be made by the Department to the creditor on account of this item. This last point is of very great importance.

6. *Loan Interest with Tax Immunity* expressed as follows: "interest at such a rate as, after deduction of tax at the standard rate from time to time, will leave a free rate of, say, 5 per cent." Here the consequences are totally different from those noted in the immediately preceding paragraph. They are, on the contrary, exactly the same as in paragraph numbered 4 above, relating to preference dividends free of tax.

Building Societies.—Those societies pay deposit interest and preference dividends, both "free of tax." In their literature those returns are held out as being just as good to investors as any other investment at higher rates but subject to deduction of tax. Thus when tax was 4s. the statement was that one of those investments with a building society at 4 per cent. free of tax was just as good as an investment elsewhere at 5 per cent. subject to tax, and so on. Now it is quite certain that on whatever income of that nature an investor may draw from a building society, no claim for payment of tax will ever be made against him by the Inland Revenue Department. That is, however, under a special arrangement with the Department; the society has paid the whole tax, and of course the Department cannot charge the same tax twice. So far, and in that

sense, and up to that point, as Mr. Nickleby used to say, the provision of "free of tax" is borne out. Where difficulty *may* come in is as to whether it is correct to say that to every investor it is "just as good" as investments elsewhere at the higher rate, but subject to tax. The disturbing factor is the competency or incompetency of a claim by the investor for refund of tax. Without the necessity of details being gone into here, our readers know that there are many cases where this refund point may be vital. Take a case of such an income that, if refund is competent, the whole tax will be got back, and view it in the following aspects, assuming tax at 4s.

1. An investment of £1,000 with X. Company, Limited, at 5 per cent. subject to tax. The investor receives from the company annually £50

Less tax	10
	<hr/> 40

and, on a refund claim, he receives from the Department	10
	<hr/> £50

2. Transpose No. 1 into a deposit of £1,000 with a building society at 4 per cent. "free of tax." The investor receives from the society annually £40. But is that an end of it, or can he, as in No. 1, supplement that by a refund claim? Apparently not; but if not, then how is it correct to say that a deposit rate of 4 per cent. "free of tax" from the society is equal to 5 per cent. subject to tax elsewhere?

3. An investment of £1,000 in 100 preference shares of £10 each of X. Company, Limited, bearing 6 per cent. subject to tax. The investor receives annually from the company .. £60

Less tax	12
	<hr/> £48

and, on a refund claim, he receives from the Department	12
	<hr/> £60

4. Transpose No. 3 into an investment of £1,000 in like shares of a building society bearing 5 per cent. "free of tax." The investor receives from the society annually £50. But is that an end of it, or can he, as in No. 3, supplement that by a refund claim? Apparently not; but if not, then how is it correct to say that such an investment with a building society at 5 per cent. "free of tax" is equal to 6 per cent. subject to tax elsewhere?

TRANSFER OF DEBTOR'S PROPERTY TO PRIVATE COMPANY.

THE Bankruptcy Act, 1914, sect. 1 (1), (b), provides that a debtor commits an act of bankruptcy if in England or elsewhere he makes a fraudulent conveyance, gift, delivery, or transfer of his property. Sect. 45 provides that nothing in the Act shall invalidate, in the case of a bankruptcy, any conveyance or assignment by the bankrupt for valuable consideration, provided that the following conditions are complied with, (a) the delivery, conveyance, or assignment takes place before the date of the receiving order, and (b) the person (other than the debtor) to, by, or with whom the delivery, conveyance, or assignment was made, executed, or entered into, has not at the time of the delivery, conveyance or assignment, notice of any available act of bankruptcy committed by the bankrupt before that time. The transfer by a debtor of his property to a private company, as constituting an act of bankruptcy, has been the subject of many interesting decisions. The guiding principles are set out in the following cases.

A trader who was liable under a judgment for the costs of an action purported to sell his business to a company which he had formed for the purpose, in consideration of fully paid up shares and of the company undertaking to pay his debts. He was the chairman, managing director, and the secretary of the company; he or his nominee held substantially the whole of the shares, and he had the complete control of it, including the power to draw cheques, which he exercised in his own favour. Within three months of this transaction a bankruptcy petition was presented against him on the ground of his non-compliance with a bankruptcy notice in respect of the costs in question, and a receiving order was made upon it. Between the presentation of the petition and the making of the order, a resolution was passed for the voluntary winding up of the company, and a liquidator was appointed. Upon a motion by the trustee in bankruptcy impeaching the validity of the transfer of the business, it was held that the transfer was fraudulent and an act of bankruptcy; that the title of the trustee to the business related back to the date of the transfer, and overrode the claims of the creditors of the company, and that the liquidator was bound to hand over to the trustee the assets representing the business at the time of the transfer (*re Carl Hirth*, 1899).

A debtor bought on credit large quantities of goods, and also agreed to purchase for £4,000

a genuine business carried on by M. He then sold to N., as trustee for a company to be formed, his business, stock in trade, book debts, &c., and the benefit of his contract with M. The purchase money was paid, as to £400 in cash, as to £10,000 in 100 debentures of £100 each of the company, and as to the balance in fully paid up shares of the company. Within three months the debtor was adjudicated bankrupt. It was held that the transfer of the debtor's property to the company was fraudulent and an act of bankruptcy; that under the circumstances the company must be taken to have had notice of the fraud; and that the trustee in bankruptcy, as against the company, was entitled to the debtor's property (*re Slobodinsky* (1903)).

It was pointed out in this case that although the words "in good faith" did not occur in sect. 49 of the Bankruptcy Act, 1883, which protected *bona fide* transactions without notice, they must be deemed to be inserted because in all former Bankruptcy Acts these words have been inserted, and it has always been held since that the omission was not intended to make any difference, that the person who takes the conveyance of a debtor's property cannot claim the benefit of sect. 49 if he had notice of anything wrong or anything that really put him upon inquiry.

In *re David & Adlard* (1914) two debtors trading in partnership, whose liabilities amounted to £20,000, and who were unable to meet their engagements as they fell due, assigned their business as a going concern (with the approval of the majority of their creditors) to a private company for £5,000 in fully paid up shares and £20,000 in debentures. Within three months the debtors became bankrupt, and the trustee in bankruptcy claimed that the assignment to the company was void as against him under the Statute 18 Elizabeth, c. 5, and also as an act of bankruptcy under the Bankruptcy Act. It was held that the assignment was not void under the Statute of Elizabeth, for it was made in good faith and for valuable consideration, and was not in fact fraudulent or entered into with a fraudulent intent; but that it was an act of bankruptcy because it naturally tended to defeat and delay any creditors who wished to enforce their ordinary rights against the debtor's estate.

It was likewise held in *re Jukes* (1902) that a creditor who takes a transfer of substantially the whole of the property of his debtor in payment of a past debt, with notice that there are other creditors, cannot be said to be acting in good faith, and is therefore not entitled to the protection of sect. 1 of the Bankruptcy Act, 1914;

and such a transaction is an act of bankruptcy and *prima facie* a fraudulent preference on the part of the debtor.

In the recent case of *In re Sims* (1980), Mr. Justice Clauson considered and reviewed all the above authorities and held that the substitution in place of a going business and substantial assets of (a) shares in a private company which had taken over the debtor's assets and liabilities, together with (b) a right of action by the debtor against that company on its covenant to discharge his liabilities, must necessarily have the result of delaying his creditors, and the fact that it was in the contemplation of all parties that further finance should be secured by placing a prior charge on the transferred assets did not prevent the payment of creditors from being delayed, and therefore a transfer to such a company was a fraudulent transfer and an act of bankruptcy. It being necessary, in order that sect. 45 of the Bankruptcy Act, 1914, should operate, that the transaction should be *bona fide*, the company having all the notice and knowledge of the debtor at the time of the transfer, the transaction was not *bona fide* and was not within sect. 45.

The learned Judge further said that it was impossible to appreciate how a company, having been a party to a transaction which was held to be a fraudulent transfer, with not only notice but knowledge of all the facts which carried that legal result, could set up *bona fides* as a defence. The suggestion was that all the parties honestly thought that the transfer, which the law held, and they must be assumed to have known that the law would hold, to be fraudulent, was the best thing in everyone's interests. In *ex parte Chaplin* (1884), it was stated that a fraudulent transaction remains a fraudulent transaction (at all events if the parties knew all the facts which stamp it in law as a fraudulent transaction), whatever might be the view of the parties, that it might be the best thing for the debtor or might result in effectually paying the creditors. That authority made it impossible to accede to the argument which would claim protection for the company on the footing of *bona fides*.

Mr. Frederick J. Warren, M.B.E., J.P., Incorporated Accountant, has been elected Mayor of Haverfordwest for the second year in succession.

THE FUNCTIONS OF EXPERT REFEREES.

THE statutory code of laws governing arbitrations in English law is the Arbitration Act, 1889. Under that statute the great majority of arbitrations strictly so called are conducted. The Act, however, also contains provisions governing references held under order of the Court which are of considerable importance to the commercial community.

Sect. 13 of the Arbitration Act, 1889 (which was repealed but re-enacted by sect. 88 of the Supreme Court of Judicature (Consolidation) Act, 1925, is as follows:—

"(1) Subject to Rules of Court and to any right to have particular cases tried by a jury, the Court or a Judge may refer any question arising in any cause or matter (other than a criminal proceeding by the Crown) for inquiry or report to any official or special referee.

"(2) The report of an official or special referee may be adopted wholly or partially by the Court or a Judge, and if so adopted may be enforced as a judgment or order to the same effect."

No clearer indication could have been given by the Legislature of the favour which our law extends to arbitration. Other instances of the harmonious co-operation of the judiciary will be found in *Kursell v. Timber Operators and Contractors* (1923) and *Ayscough v. Sheed Thomson and Co., Limited* (1923). Both Parliament and the Judges have recognised that certain types of questions are most conveniently tried by arbitration machinery, having regard to their special nature and to the other pre-occupations of the Courts of Law. Hence the machinery afforded by the section is resorted to in a restricted number of cases which are readily classifiable, viz, (i) where the issues involved necessitate a close scrutiny of accounts or other documents; (ii) where a scientific or local investigation is necessary. In the case of *Broder v. Saillard* (1876) an architect was required to survey the premises of the defendant, which the plaintiff alleged caused him nuisance by way of noises and defective drainage, and to present a report upon the position, condition and inter-relation of the plaintiff's and defendant's adjoining premises. In another case, *Mellin v. Monico* (1877), Mr. Justice Bramwell lucidly expounded the function of such a referee. He said: "He is not to dispose of the action, and I do not think he is even to determine any matter in issue between the parties; if there are facts disputed—

for instance, if one of the parties asserts that a building is 20 ft. high, and the other that it is 25 ft.—the referee in such a case must determine the fact and report it." In other words, "his duty is, instead of determining issues of fact or of law, to find materials upon which the Court is to act." (iii) Where a large number of items are required to be examined and assessed, e.g., for the purpose of arriving at the appropriate measure of damages, where it would be inexpedient and a waste of time to invite the attention and decision of the Court on more (or less) than the broad principle or main point in issue, namely, the liability in law of any particular party.

The referee, whether "official" or "special," is deemed to be an officer of the Court. The nature and objects of the reference demand and usually secure the services as "special" referee of some specially qualified expert, e.g., an accountant, chemist or engineer; the "official" referee is a permanent officer of the Court. In the case of *Badische Anilin und Soda Fabrik v. Levinstein* (1883), Mr. Justice Pearson said: "I sent the questions to Professor Roscoe . . . not to decide any issue in the case, but to get from him that information which would enable me to decide what is before me."

It follows, therefore, that the Court is not bound to act upon the report resulting from such a reference, but may remit it for further consideration or variation, or even reject it entirely or adopt it in part only.

The statutory provision speaks of a reference "for inquiry or report." Is there any difference in the nature of the proceedings connoted by the terms "inquiry" and "report"? In both cases, in any event, the hearing is a judicial investigation, regulated by rules of Court, to be conducted in a manner analogous to that which is customary in a matter tried in Court by a Judge. "The word 'inquiry' is used," said Lord Esher (M.R.), in *Wenlock v. River Dee Company* (1887) "because it is not meant to have the same result as a trial," adding: "It does not appear to me that the word 'inquiry' only includes an inquiry which the referee is to make with his own eyes. . . . It signifies an inquiry in which he is to take evidence and hold a judicial inquiry in the usual way in which such inquiries are held." A "report" differs, it would appear, from an "inquiry" in that the former may be based not upon evidence adduced before him by others but upon the expert's own knowledge and examination of the questions submitted to him by the Court, e.g., where Professor Roscoe in the *Badische Anilin* case was consulted by the

at a
t is
nine
his
t or
urt
ems
g.
iate
in-
the
ess)
ue,
ty.

al,"
The
and
ree
an
al"
In
v.
id:
...
get
ble

not
ich
on-
ely

nce
nce
by
th
ial
be
ch
a
rd
ny
ne
ar
an
vn
he
ry
re
r,
be
py
ge
to
oe
ne



The late SIR CHARLES WILSON.

From the portrait by J. A. A. Berrie, painted for Incorporated Accountants' Hall.

Court upon certain chemical processes so as to enable the Court to arrive at a scientific conclusion upon the scientific issues involved in the suit brought before it; or where an architect was consulted upon the condition and effects of the user of premises as stables in *Broder's* case.

Finally, attention may be drawn to the provisions of sect. 17 of the Arbitration Act, 1889 (repealed and replaced by sect. 92 of the Supreme Court of Judicature (Consolidation) Act, 1925), viz:—"Her Majesty's Court of Appeal shall have all the powers conferred by this Act on the Court or a judge thereof under the provisions relating to references under order of the Court." The power to refer special questions to official or special referees is one which may be found equally or even more useful to be exercised by the Court of Appeal than by a Court of First Instance. The utility of these statutory provisions will tend to increase with the ever-growing specialisation in all spheres of trade and commercial activities. Law embraces every form of activity within the state, and functions best when it is enabled to avail itself of all the latest and most skilled testimony upon questions of fact.

COMPARISONS OF RATES IN TOWNS AND URBAN DISTRICTS.

Mr. W. Allison Davies, O.B.E., F.S.A.A., Borough Treasurer of Preston, has sent us a copy of the pamphlet which he issues every year giving the comparison of the rates levied in the various towns and urban districts in England and Wales. The statistics given relate to the municipal year 1930-31. The pamphlet is a most useful publication, and supplies much valuable information which must cost Mr. Davies a great deal of time and trouble to collect. The tabulated records show the rateable value, total rates levied, rate per head of population, the charges made for gas, water and electricity, and the extent to which the rates of each municipality have been increased or decreased by the profits or losses made on these undertakings. Particulars are also given of the purposes to which the rates have been applied, together with a comparison of the total rate levied for the preceding year. There has been introduced this year for the first time a column giving the rate poundage of the grants paid to the various authorities under the Local Government Act, 1929.

The Census of Production, 1930.

A Census of Production is about to be taken by the Board of Trade relating to industrial production in the year 1930, and in the course of the next few weeks firms engaged in productive work throughout Great Britain will receive the forms they are required to fill up under the Census of Production Act. Firms were notified early last year of the particulars that would be required, and it is hoped that they will fill in accurately and send back promptly to the Census Office the forms now being sent out, in order that the results of the Census may be published expeditiously. The previous Census was taken in 1924.

Obituary.

SIR CHARLES WILSON.

The death of Sir Charles Henry Wilson, LL.D., F.S.A.A., briefly announced in our last issue, deprives the Society of Incorporated Accountants and Auditors of one of its most prominent and able members. Of yeoman stock, he was born in the village of Brandsby-cum-Stearsby, near Easingwold, Yorkshire, on January 18th, 1859, and in his early days he was in the service of the North-Eastern Railway. Shortly after his settlement in Leeds he turned his attention to accountancy as a profession, and in the year 1891 he was elected to the membership of the Society, upon the roll of which he completed a period of nearly 40 years. He was soon regarded by the members of the Society as a coming man, and this led to his services being requisitioned on the Council of the Society, to which he was appointed in 1894. In January, 1901, the Society sustained the loss by death of its then President, Andrew Wallace Barr, and in the emergency thereby created the Council unanimously elected Charles H. Wilson to fill the vacancy which had unfortunately arisen. In announcing his election in our issue of February, 1901, we referred to the new President "as being physically and morally a strong man, and therefore specially suited to lead the Society, which generally had a little fighting on hand." He had not a very long time to wait in order to take action on behalf of the Society in a matter peculiarly suited to his temperament and training. The Government in 1903 set up a Joint Select Committee of both Houses of Parliament to inquire into the subject of Municipal Trading, and in this inquiry the question of the audit of municipal accounts bulked largely. Wilson was the Society's witness, and in the witness chair, as an onlooker remarked, he enjoyed himself hugely. That he upheld the Society's claim to be regarded in the front rank as qualifying its members to act as municipal auditors, the Committee's report bore testimony, but Wilson never forgot that he was a Leeds Councillor of strong conservative tendencies, and he let himself go freely in regard to those who he considered at that time were developing municipal enterprises on socialistic lines.

At the annual meeting of the Society in 1904 the members unanimously placed on record their sincere and hearty thanks to Wilson on the completion of the period of his office as President, and ordered the resolution to be suitably inscribed and presented to him. For many years, and down to the time of his death, he was the Chairman of the Parliamentary Committee of the Council of the Society, and in many other ways he rendered effective service to his fellow members. In the establishment of District Societies of Incorporated Accountants he took a keen interest, and became the first President of the Yorkshire District Society in 1894.

The interests of Leeds as a city must be regarded as the mainspring of Wilson's life. When giving

evidence in support of one of the Corporation's Bills before a Parliamentary Committee he exclaimed, "Why, I am Leeds!" This was no vain boast on his part; it meant that his heart and soul were in Leeds, and what he regarded as the welfare of his city was the principal object of his existence. His full activities have been adequately dealt with in the Press, but his services to the country in the War deserve some special mention. He worked assiduously in helping to raise the First Leeds (Pals) Battalion of the Prince of Wales's Own West Yorkshire Regiment, and at the age of 55 was gazetted a Captain. He sustained a severe accident by being thrown from his horse, and when he was sufficiently recovered he was gazetted out of the regiment, and he then raised the No. 3 (Leeds) Group of the West Riding Motor Transport Volunteers, of which he became Major commanding.

In connection with his Municipal career, it is not without interest to note that Wilson was appointed to the Aldermanic Bench in 1906, and succeeded Alderman John Gordon as leader of the Conservative Party in Leeds when the latter retired in 1907. Alderman Gordon was a member of the Council of the Institute of Chartered Accountants and was appointed President of the Institute for the year 1920-21. Between these two men there was always a close understanding and friendship. After the War Wilson's merits met with wide recognition. For six years he represented Central Leeds in Parliament. In 1923 he received the honour of Knighthood, the Honorary Freedom of Leeds, and the degree of LL.D. from Leeds University. He was also Vice-Consul for France. A testimonial to him was subscribed for by all classes of the community in Leeds and his last public appearance was in October, when he was presented with his portrait in the robe of a Doctor of Laws, together with a cheque. This cheque he handed over in order to endow a cot at Leeds Infirmary, and the portrait he presented to the City Corporation to be hung in Temple Newsam, which is now the property of the city.

Sir Charles Wilson was twice married. His first wife died in 1919 and his only son Percy Wilson, who qualified as an Incorporated Accountant and joined the Air Force in the early days of the War, died after a lingering illness. In 1920 Sir Charles married as his second wife Mrs. Ann Parvin Hill, a daughter of the late Mr. J. P. Garnett, of Nawton, in the North Riding. Lady Wilson survives him, together with a daughter of his first marriage. For many years Sir Charles practised alone, but more recently he was the senior partner in the firm of "Sir Charles H. Wilson," his partners being Harold Lazenby, A.S.A.A., H. M. Howorth, A.S.A.A., and J. L. Kitching, A.C.A.

The funeral took place at Skipwith, and was attended only by Lady Wilson and members of the family, together with a few private friends. At Lady Wilson's request Mr. A. A. Garrett, Secretary of the Society, was present to represent Sir Charles's intimate colleagues. A memorial service was held

at the same hour as the funeral at Leeds Parish Church. There was an immense congregation, including the Lord Mayor and Corporation of Leeds and representatives of the many societies and organisations with which Sir Charles was identified. The Society of Incorporated Accountants and Auditors was specially represented by Mr. Charles Hewetson Nelson, J.P., Past President. There also attended for the Yorkshire District Society of Incorporated Accountants, Mr. Arthur France, of Leeds, President; Mr. Fredk. Holliday, Mr. J. W. Carter, Mr. Alfred Walton and Mr. Wm. Waller (Past Presidents), Mr. Wm. Tate, Mr. G. Astle, Mr. Thos. Hayes, Mr. J. B. Lapish, Mr. T. Revell, Mr. A. Schofield, Mr. Wm. Gaunt and Mr. T. W. Dresser (Hon. Secretary). Mr. Thomas Hudson, President of the Bradford and District Society of Incorporated Accountants, was also present.

It is interesting to recall that in the last letter Sir Charles Wilson wrote to his oldest friend on the Council of the Society, which was signed in his usual firm handwriting, he mentioned the malady from which he was suffering and said, "You can imagine what this means to me in having to cut off everything at a moment's notice, but as you remark, I am fighting for all I am worth. Please make it plain to everyone how very much I appreciate their kindness, and have always done so."

GEORGE DROWLEY.

After an illness of only two or three days' duration, Mr. George Drowley, A.S.A.A., passed away on Saturday, January 3rd, in his fifty-second year. He was elected an Associate of the Society in 1902, and for some years was a managing clerk to Messrs. Martin, Farlow & Co., Incorporated Accountants, 34 and 36, Gresham Street, London. In June, 1928, he was admitted a partner in the firm, by whom and their clients he was held in the highest esteem.

D. F. DE L'HOSTE RANKING.

Much regret has been caused throughout the profession by the death on January 5th of Dr. D. F. de l'Hoste Ranking, M.A., LL.D. To hundreds of accountancy students (Incorporated as well as Chartered), Dr. Ranking acted in his time as guide, philosopher and friend. For more years than we can tell he was associated with the coaching firm of H. Foulks Lynch & Co., and a charming tribute to his memory from the pen of his former colleague, Mr. E. E. Spicer, F.C.A., appeared in the pages of the *Accountant* for January 17th last.

The name of Mr. William Henry Whiteley, A.S.A.A., of the Ministry of Pensions, was included in the New Year's Honours List as a Member of the Order of the British Empire for special services. Mr. Whiteley served his articles with the late Sir Charles Wilson.

ACCOUNTANTS' LIABILITY TO THIRD PARTIES.

Decision by the New York State Court of Appeals.

COURT OF APPEALS OF THE STATE OF NEW YORK.

ULTRAMARES CORPORATION, *Respondent-Appellant*,
v.

GEORGE A. TOUCHE AND OTHERS, co-partners,
doing business under the firm name of TOUCHE,
NIVEN & COMPANY, *Appellants-Respondents*.

Cross-appeals from a judgment of the Appellate Division of the Supreme Court in the first judicial department. (*This judgment was reported in full in our issue of August last.*)

The defendants appeal from that part of the judgment of the Appellate Division which reversed a judgment of the trial term dismissing the complaint as to the first cause of action, reinstated a verdict in favour of the plaintiff, and gave judgment thereon in the sum of \$203,058.97.

The plaintiff appeals from that part of the judgment of the Appellate Division which affirmed a judgment of the trial term dismissing the complaint as to the second cause of action.

CARDOZO (Ch. J.):

The action is in tort for damages suffered through the misrepresentations of accountants, the first cause of action being for misrepresentations that were merely negligent and the second for misrepresentations charged to have been fraudulent.

In January, 1924, the defendants, a firm of public accountants, were employed by Fred Stern & Co., Inc., to prepare and certify a balance sheet exhibiting the condition of its business as of December 31st, 1923. They had been employed at the end of each of the three years preceding to render a like service. Fred Stern & Co., Inc., which was in substance Stern himself, was engaged in the importation and sale of rubber. To finance its operations it required extensive credit, and borrowed large sums of money from banks and other lenders. All this was known to the defendants. The defendants knew also that in the usual course of business the balance sheet, when certified, would be exhibited by the Stern Company to banks, creditors, stockholders, purchasers or sellers, according to the needs of the occasion, as the basis of financial dealings. Accordingly, when the balance sheet was made up, the defendants supplied the Stern Company with thirty-two copies certified with serial numbers as counterpart originals. Nothing was said as to the persons to whom these counterparts would be shown or the extent or number of the transactions in which they would be used. In particular, there was no mention of the plaintiff, a corporation doing business chiefly as a factor, which till then had never made advances to the Stern Company, though it had sold merchandise in small

amounts. The range of the transactions in which a certificate of audit might be expected to play a part was as indefinite and wide as the possibilities of the business that was mirrored in the summary.

By February 26th, 1924, the audit was finished and the balance sheet made up. It stated assets in the sum of \$2,550,671.88 and liabilities other than capital and surplus in the sum of \$1,479,956.62, thus showing a net worth of \$1,070,715.26. Attached to the balance sheet was a certificate as follows:—

"TOUCHE, NIVEN & Co.,
Public Accountants,
Eighty Maiden Lane,
New York.

February 26th, 1924.

CERTIFICATE OF AUDITORS.

We have examined the accounts of Fred Stern & Co., Inc., for the year ending December 31st, 1923, and hereby certify that the annexed balance sheet is in accordance therewith and with the information and explanations given us. We further certify that, subject to provision for federal taxes on income, the said statement, in our opinion, presents a true and correct view of the financial condition of Fred Stern & Co., Inc., as at December 31st, 1923.

TOUCHE, NIVEN & Co.,
Public Accountants."

Capital and surplus were intact if the balance sheet was accurate. In reality, both had been wiped out, and the corporation was insolvent. The books had been falsified by those in charge of the business so as to set forth accounts receivable and other assets which turned out to be fictitious. The plaintiff maintains that the certificate of audit was erroneous in both its branches. The first branch, the asserted correspondence between the accounts and the balance sheet, is one purporting to be made as of the knowledge of the auditors. The second branch, which certifies to a belief that the condition reflected in the balance sheet presents a true and correct picture of the resources of the business, is stated as a matter of opinion. In the view of the plaintiff, both branches of the certificate are either fraudulent or negligent. As to one class of assets, the item of accounts receivable, if not also as to others, there was no real correspondence, we are told, between balance sheet and books, or so the triers of the facts might find. If correspondence, however, be assumed, a closer examination of supporting invoices and records, or a fuller inquiry directed to the persons appearing on the books as creditors or debtors, would have exhibited the truth.

The plaintiff, a corporation engaged in business as a factor, was approached by Stern in March, 1924, with a request for loans of money to finance the sales of rubber. Up to that time the dealings between the two houses were on a cash basis and trifling in amount. As a condition of any loans the plaintiff insisted that it receive a balance sheet certified by public accountants, and in response to that demand it was given one of the certificates signed by

the defendants and then in Stern's possession. On the faith of that certificate the plaintiff made a loan which was followed by many others. The course of business was for Stern to deliver to the plaintiff documents described as trust receipts which, in effect, were executory assignments of the moneys payable by purchasers for goods thereafter to be sold. When the purchase price was due, the plaintiff received the payment, reimbursing itself therefrom for its advances and commissions. Some of these transactions were effected without loss. Nearly a year later, in December, 1924, the house of cards collapsed. In that month, plaintiff made three loans to the Stern Company, one of \$100,000, a second of \$25,000, and a third of \$40,000. For some of these loans no security was received. For some of the earlier loans the security was inadequate. On January 2nd, 1925, the Stern Company was declared a bankrupt.

This action, brought against the accountants in November, 1926, to recover the loss suffered by the plaintiff in reliance upon the audit, was in its inception one for negligence. On the trial there was added a second cause of action asserting fraud also. The trial Judge dismissed the second cause of action without submitting it to the jury. As to the first cause of action, he reserved his decision on the defendants' motion to dismiss, and took the jury's verdict. They were told that the defendants might be held liable if with knowledge that the results of the audit would be communicated to creditors they did the work negligently, and that negligence was the omission to use reasonable and ordinary care. The verdict was in favour of the plaintiff for \$187,576.32. On the coming in of the verdict, the Judge granted the reserved motion. The Appellate Division affirmed the dismissal of the cause of action for fraud, but reversed the dismissal of the cause of action for negligence, and reinstated the verdict. The case is here on cross appeals.

THE CAUSES OF ACTION.

The two causes of action will be considered in succession, first the one for negligence, and second that for fraud.

(1) We think the evidence supports a finding that the audit was negligently made, though in so saying we put aside for the moment the question whether negligence, even if it existed, was a wrong to the plaintiff. To explain fully or adequately how the defendants were at fault would carry this opinion beyond reasonable bounds. A sketch, however, there must be, at least in respect of some features of the audit, for the nature of the fault, when understood, is helpful in defining the ambit of the duty.

We begin with the item of accounts receivable. At the start of the defendant's audit there had been no posting of the general ledger since April, 1923. Siess, a junior accountant, was assigned by the defendants to the performance of that work. On Sunday, February 3rd, 1924, he had finished the task of posting, and was ready the next day to

begin with his associates the preparation of the balance sheet and the audit of its items. The total of the accounts receivable for December, 1923, as thus posted by Siess from the entries in the journal, was \$644,758.17. At some time on February 3rd, Romberg, an employee of the Stern Company, who had general charge of its accounts, placed below that total another item to represent additional accounts receivable growing out of the transactions of the month. This new item, \$706,843.07, Romberg entered in his own handwriting. The sales that it represented were, each and all, fictitious. Opposite the entry were placed other figures (12-29), indicating or supposed to indicate a reference to the journal. Siess, when he resumed his work, saw the entries thus added, and included the new item in making up his footings, with the result of an apparent increase of over \$700,000 in the assets of the business. He says that in doing this he supposed the entries to be correct, and that his task at the moment being merely to post the books, he thought the work of audit or verification might come later, and put it off accordingly. The time sheets, which are in evidence, show very clearly that this was the order of time in which the parts of the work were done. Verification, however, there never was either by Siess or by his superiors, or so the triers of the facts might say. If any had been attempted, or any that was adequate, an examiner would have found that the entry in the ledger was not supported by any entry in the journal. If from the journal he had gone to the book from which the journal was made up, described as "the debit memo book," support would still have failed. Going farther, he would have found invoices, seventeen in number, which amounted in the aggregate to the interpolated item, but scrutiny of these invoices would have disclosed suspicious features in that they had no shipping number nor a customer's order number, and varied in terms of credit and in other respects from those usual in the business. A mere glance reveals the difference.

The December entry of accounts receivable was not the only item that a careful and skilful auditor would have desired to investigate. There was ground for suspicion as to an item of \$113,199.60, included in the accounts payable as due from the Baltic Corporation. As to this the defendants received an explanation, not very convincing, from Stern and Romberg. A cautious auditor might have been dissatisfied and have uncovered what was wrong. There was ground for suspicion also because of the inflation of the inventory. The inventory as it was given to the auditors was totalled at \$347,219.08. The defendants discovered errors in the sum of \$303,863.20, and adjusted the balance sheet accordingly. Both the extent of the discrepancy and its causes might have been found to cast discredit upon the business and the books. There was ground for suspicion again in the record of assigned accounts. Inquiry of the creditors gave notice to the defendants that the same accounts had been pledged to two, three and four banks at

the same time. The pledges did not diminish the value of the assets, but made in such circumstances they might well evoke a doubt as to the solvency of a business where such conduct was permitted. There was an explanation by Romberg which the defendants accepted as sufficient. Caution and diligence might have pressed investigation farther.

If the defendants owed a duty to the plaintiff to act with the same care that would have been due under a contract of employment, a jury was at liberty to find a verdict of negligence upon a showing of a scrutiny so imperfect and perfunctory. No doubt the extent to which inquiry must be pressed beyond appearances is a question of judgment, as to which opinions will often differ. No doubt the wisdom that is born after the event will engender suspicion and distrust when old acquaintance and good repute may have silenced doubt at the beginning. All this is to be weighed by a jury in applying its standard of behaviour, the state of mind and conduct of the reasonable man. Even so, the adverse verdict, when rendered, imports an alignment of the weights in their proper places in the balance and a reckoning thereafter. The reckoning was not wrong upon the evidence before us, if duty be assumed.

THE QUESTION OF DUTY: ITS ORIGIN AND MEASURE.

We are brought to the question of duty, its origin and measure.

The defendants owed to their employer a duty imposed by law to make their certificate without fraud, and a duty growing out of contract to make it with care and caution proper to their calling. Fraud includes the pretence of knowledge when knowledge there is none. To creditors and investors to whom the employer exhibited the certificate, the defendants owed a like duty to make it without fraud, since there was notice in the circumstances of its making that the employer did not intend to keep it to himself (*Eaton, C. & B. Co. v. Avery*, 83 N.Y., 31; *Tindle v. Birkett*, 171 N.Y., 520). A different question develops when we ask whether they owed a duty to these to make it without negligence. If liability for negligence exists, a thoughtless slip or blunder, the failure to detect a theft or forgery beneath the cover of deceptive entries, may expose accountants to a liability in an indeterminate amount for an indeterminate time as to an indeterminate class. The hazards of a business conducted on these terms are so extreme as to enkindle doubt whether a flaw may not exist in the implication of a duty that exposes to these consequences. We put aside for the moment any statement in the certificate which involves the representation of a fact as true to the knowledge of the auditors. If such a statement was made, whether believed to be true or not, the defendants are liable for deceit in the event that it was false. The plaintiff does not need the invention of novel doctrine to help it out in such conditions. The case was submitted to the jury and the verdict was returned upon the theory that even in the

absence of a misstatement of a fact there is a liability also for erroneous opinion. The expression of an opinion is to be subject to a warranty implied by law. What, then, is the warranty, as yet unformulated, to be? Is it merely that the opinion is honestly conceived and that the preliminary inquiry has been honestly pursued, that a halt has not been made without a genuine belief that the search has been reasonably adequate to bring disclosure of the truth? Or does it go farther and involve the assumption of a liability for any blunder or inattention that could fairly be spoken of as negligence if the controversy were one between accountant and employer for breach of a contract to render services for pay?

The assault upon the citadel of privity is proceeding in these days apace. How far the inroads shall extend is now a favourite subject of juridical discussion (Williston, *Liability for Honest Misrepresentation*, 24 Harv. Law Rev., 415, 433; Bohlen, *Studies in the Law of Torts*, pp. 150, 151; Bohlen, *Misrepresentation as Deceit, Negligence or Warranty*, 42 Harv. L. Rev. 733; Smith, *Liability for Negligent Language*, 14 Harv. L. Rev., 184; Green, Judge, and Jury, Chapter Deceit, p. 280; 16 Va. L. Rev., 749). In the field of the law of contract there has been a gradual widening of the doctrine of *Lawrence v. Fox* (20 N.Y., 268), until to-day the beneficiary of a promise, clearly designated as such, is seldom left without a remedy (*Seaver v. Ransom*, 224 N.Y., 233, 238). Even in that field, however, the remedy is narrower where the beneficiaries of the promise are indeterminate or general. Something more must then appear than an intention that the promise shall redound to the benefit of the public or to that of a class of indefinite extension. The promise must be such as to "bespeak the assumption of a duty to make reparation directly to the individual members of the public if the benefit is lost" (*Moch Co. v. Rensselaer Water Co.*, 247 N.Y., 160, 164; American Law Institute, *Restatement of the Law of Contract*, sect. 148). In the field of the law of torts a manufacturer who is negligent in the manufacture of a chattel in circumstances pointing to an unreasonable risk of serious bodily harm to those using it thereafter may be liable for negligence though privity is lacking between manufacturer and user (*MacPherson v. Buick Mfg. Co.*, 217 N.Y., 382; Am. Law Inst., *Restatement of the Law of Torts*, sect. 262). A force or instrument of harm having been launched with potentialities of danger manifest to the eye of prudence, the one who launches it is under a duty to keep it within bounds (*Moch Co. v. Rensselaer Water Co.*, *supra*, at p. 168). Even so, the question is still open whether the potentialities of danger that will charge with liability are confined to harm to the person, or include injury to property (*P.G. Poultry Farm v. Newton D.P. Mfg. Co.*, 248 N.Y., 293, 296; *Robins Dry Dock and Repair Co. v. Flint*, 275 U.S., 308; Am. Law Inst., *Restatement of the Law of Torts*, *supra*). In either view, however, what is released or set in motion is a physical force. We are now asked to say that a like liability

attaches to the circulation of a thought or a release of the explosive power resident in words.

Three cases in this Court are said by the plaintiff to have committed us to the doctrine that words, written or oral, if negligently published with the expectation that the reader or listener will transmit them to another, will lay a basis for liability though privity be lacking. These are *Glanzer v. Shepard*, 233 N.Y., 236; *International Products Co. v. Erie R.R. Co.*, 244 N.Y., 331; and *Doyle v. Chatham and Phoenix National Bank*, 253 N.Y., 369.

In *Glanzer v. Shepard*, the seller of beans requested the defendants, public weighers, to make return of the weight and furnish the buyer with a copy. This the defendants did. Their return, which was made out in duplicate, one copy to the seller and the other to the buyer, recites that it was made by order of the former for the use of the latter. The buyer paid the seller on the faith of the certificate which turned out to be erroneous. We held that the weighers were liable at the suit of the buyer for the moneys overpaid. Here was something more than the rendition of a service in the expectation that the one who ordered the certificate would use it thereafter in the operation of his business as occasion might require. Here was a case where the transmission of the certificate to another was not merely one possibility among many, but the "end and aim of the transaction," as certain and immediate and deliberately willed as if a husband were to order a gown to be delivered to his wife, or a telegraph company, contracting with the sender of a message, were to telegraph it wrongly to the damage of the person expected to receive it (*Wolfskehl v. W.U. Tel. Co.*, 46 Hun, 542; *De Ruth v. N.Y., &c., Tel. Co.*, 1 Daly, 547; *Milliken v. W.U. Tel. Co.*, 110 N.Y., 403, 410). The intimacy of the resulting nexus is attested by the fact that after stating the case in terms of legal duty, we went on to point out that, viewing it as a phase or extension of *Lawrence v. Fox*, *supra*, or *Seaver v. Ransom*, *supra*, we could reach the same result by stating it in terms of contract (cf. *Economy B. & L. Association v. W. J. T. Co.*, 64 N.J.L., 27; *Young v. Lohr*, 118 Ia., 624; *Murphy v. F. A. & T. Co.*, 114 Wash., 77). The bond was so close as to approach that of privity, if not completely one with it. Not so in the case at hand. No one would be likely to urge that there was a contractual relation, or even one approaching it, at the root of any duty that was owing from the defendants now before us to the indeterminate class of persons who, presently or in the future, might deal with the Stern Company in reliance on the audit. In a word, the service rendered by the defendant in *Glanzer v. Shepard* was primarily for the information of a third person, in effect, if not in name, a party to the contract, and only incidentally for that of the formal promisee. In the case at hand, the service was primarily for the benefit of the Stern Company, a convenient instrumentality for use in the development of the business, and only incidentally or collaterally for the use of those to whom Stern and his associates might exhibit it

thereafter. Foresight of these possibilities may charge with liability for fraud. The conclusion does not follow that it will charge with liability for negligence.

In the next of the three cases, *International Products Co. v. Erie R.R. Co.*, *supra*, the plaintiff, an importer, had an agreement with the defendant, a railroad company, that the latter would act as bailee of goods arriving from abroad. The importer, to protect the goods by suitable insurance, made inquiry of the bailee as to the location of the storage. The warehouse was incorrectly named, and the policy did not attach. Here was a determinate relation, that of bailor and bailee, either present or prospective, with peculiar opportunity for knowledge on the part of the bailee as to the subject matter of the statement and with a continuing duty to correct it if erroneous. Even the narrowest holdings as to liability for unintentional misstatement concede that a representation in such circumstances may be equivalent to a warranty. There is a class of cases "where a person within whose special province it lay to know a particular fact has given an erroneous answer to an inquiry made with regard to it by a person desirous of ascertaining the fact for the purpose of determining his course accordingly and has been held bound to make good the assurance he has given" (*Herschell, L. C.*, in *Derry v. Peek*, L.R., 14 A.C., 337, 360). So in *Burrows v. Loch* (10 Ves., 470), a trustee was asked by one who expected to make a loan upon the security of a trust fund whether notice of any prior incumbrance upon the fund had been given to him. An action for damages was upheld though the false answer was made honestly in the belief that it was true (cf. *Brownlie v. Campbell*, L.R., 5 A.C., 935; *Doyle v. C. & P.N. Bk.*, *supra*, at p. 379).

In one respect the decision in *International Products Co. v. Erie R.R. Co.* is in advance of anything decided in *Glanzer v. Shepard*. The latter case suggests that the liability there enforced was not one for the mere utterance of words without due consideration, but for a negligent service, the act of weighing, which happened to find in the words of the certificate its culmination and its summary. This was said in the endeavour to emphasise the character of the certificate as a business transaction, an act in the law, and not a mere casual response to a request for information. The ruling in the case of the *Erie Railroad* shows that the rendition of a service is at most a mere circumstance and not an indispensable condition. The Erie was not held for negligence in the rendition of a service. It was held for words and nothing more. So in the case at hand. If liability for the consequences of a negligent certificate may be enforced by any member of an indeterminate class of creditors, present and prospective, known and unknown, the existence or non-existence of a preliminary act of service will not affect the cause of action. The service may have been rendered as carefully as you please, and its quality will count for nothing

if there was negligence thereafter in distributing the summary.

Doyle v. Chatham and Phoenix National Bank, *supra*, the third of the cases cited, is even more plainly indecisive. A trust company was a trustee under a deed of trust to secure an issue of bonds. It was held liable to a subscriber for the bonds when it certified them falsely. A representation by a trustee intended to sway action had been addressed to a person who by the act of subscription was to become a party to the deed and a *cestui que* trust.

The antidote to these decisions and to the over-use of the doctrine of liability for negligent misstatement may be found in *Jaillett v. Cashman* (235 N.Y., 511), and *Courteen Seed Co. v. Hong Kong and S.F. Co.* (245 N.Y., 377). In the first of these cases the defendant supplying ticker service to brokers was held not liable in damages to one of the broker's customers for the consequences of reliance upon a report negligently published on the ticker. If liability had been upheld, the step would have been a short one to the declaration of a like liability on the part of proprietors of newspapers. In the second the principle was clearly stated by Pound (J.) that "negligent words are not actionable unless they are uttered directly, with knowledge that they will be acted on, to one to whom the speaker is bound by some relation of duty, arising out of public calling, contract or otherwise, to act with care if he acts at all."

EXTENSION OF LIABILITY FOR NEGLIGENCE CONSIDERED.

From the foregoing analysis the conclusion is, we think, inevitable that nothing in our previous decisions commits us to a holding of liability for negligence in the circumstances of the case at hand, and that such liability, if recognised, will be an extension of the principle of those decisions to different conditions, even if more or less analogous. The question, then, is whether such an extension shall be made.

The extension, if made, will so expand the field of liability for negligent speech as to make it nearly, if not quite, coterminous with that of liability for fraud. Again and again, in decisions of this Court, the bounds of this latter liability have been set up, with futility the fate of every endeavour to dislodge them. Scientist has been declared to be an indispensable element except where the representation has been put forward as true of one's own knowledge (*Hadcock v. Osmer*, 153 N.Y., 604), or in circumstances where the expression of opinion was a dishonourable pretence (3 Williston, Contracts, sect. 1494; *Smith v. Land Corporation*, L.R., 28 Ch.D., 7, 15; *Sleeper v. Smith*, 77 N.H., 337; *Andrews v. Jackson*, 168 Mass., 266; *Peo. ex rel. Gellis v. Sheriff*, 251 N.Y., 33, 37; *Hickey v. Morrell*, 102 N.Y., 454, 463; *Merry Realty Co. v. Martin*, 108 Misc., 9, 14; 186 A.D., 538. Even an opinion, especially an opinion by an expert, may be found to be fraudulent if the grounds supporting it are so flimsy as to lead to the conclusion that there was no genuine belief back of it. Further than

that this Court has never gone. Directors of corporations have been acquitted of liability for deceit though they had been lax in investigation and negligent in speech (*Reno v. Bull*, 226 N.Y., 546, and cases there cited; *Kountze v. Kennedy*, 147 N.Y., 124). This has not meant, to be sure, that negligence may not be evidence from which a trier of the facts may draw an inference of fraud (*Derry v. Peek*, L.R., 14 A.C., 337, 369, 375, 376), but merely that if that inference is rejected, or, in the light of all the circumstances, is found to be unreasonable, negligence alone is not a substitute for fraud. Many also are the cases that have distinguished between the wilful or reckless representation essential to the maintenance at law of an action for deceit, and the misrepresentation, negligent or innocent, that will lay a sufficient basis for rescission in equity (*Bloomquist v. Farson*, 222 N.Y., 375; *Seneca Wire & Mfg. Co. v. Leach & Co.*, 247 N.Y., 1). If this action is well conceived, all these principles and distinctions, so nicely wrought and formulated, have been a waste of time and effort. They have even been a snare, entrapping litigants and lawyers into an abandonment of the true remedy lying ready to the call. The suitors thrown out of Court because they proved negligence, and nothing else, in an action for deceit, might have ridden to triumphant victory if they had proved the self-same facts but had given the wrong another label, and all this in a state where forms of action have been abolished. So to hold is near to saying that we have been paltering with justice. A word of caution or suggestion would have set the erring suitor right. Many pages of opinion were written by Judges the most eminent, yet the word was never spoken. We may not speak it now. A change so revolutionary, if expedient, must be wrought by legislation (*Landell v. Lybrand*, 264 Pa. St., 406).

We have said that the duty to refrain from negligent representation would become coincident or nearly so with the duty to refrain from fraud if this action could be maintained. A representation, even though knowingly false, does not constitute ground for an action of deceit unless it be with the intent to be communicated to the person or class of persons who act upon it to their prejudice (*Eaton Co. v. Avery*, *supra*). Affirmance of this judgment would require us to hold that all or nearly all the persons so situated would suffer an impairment of an interest legally protected if the representation had been negligent. We speak of all "or nearly all," for the cases can be imagined where a casual response, made in circumstances insufficient to indicate that care should be expected, would permit recovery for fraud if wilfully deceitful. Cases of fraud between persons so circumstanced are, however, too infrequent and exceptional to make the radii greatly different if the fields of liability for negligence and deceit be figured as concentric circles. The like may be said of the possibility that the negligence of the injured party, contributing to the result, may avail to overcome the one remedy, though unavailing to defeat the other.

Neither of these possibilities is noted by the plaintiff in its answer to the suggestion that the two fields would be coincident. Its answer has been merely this, first, that the duty to speak with care does not arise unless the words are the culmination of a service, and, second, that it does not arise unless the service is rendered in the pursuit of an independent calling, characterised as public. As to the first of these suggestions, we have already had occasion to observe that, given a relation making diligence a duty, speech as well as conduct must conform to that exacting standard (*International Products Co. v. Erie R.R. Co.*, *supra*). As to the second of the two suggestions, public accountants are public only in the sense that their services are offered to anyone who chooses to employ them. This is far from saying that those who do not employ them are in the same position as those who do.

Liability for negligence, if adjudged in this case, will extend to many callings other than an auditor's. Lawyers who certify their opinion as to the validity of municipal or corporate bonds with knowledge that the opinion will be brought to the notice of the public, will become liable to the investors, if they have overlooked a statute or a decision, to the same extent as if the controversy were one between client and adviser. Title companies insuring titles to a tract of land, with knowledge that at an approaching auction the fact that they have insured will be stated to the bidders, will become liable to purchasers who may wish the benefit of a policy without payment of a premium. These illustrations may seem to be extreme, but they go little, if any, farther than we are invited to go now. Negligence, moreover, will have one standard when viewed in relation to the employer, and another and, at times, a stricter standard when viewed in relation to the public. Explanations that might seem plausible, omissions that might be reasonable if the duty is confined to the employer conducting a business that presumably at least is not a fraud upon his creditors, might wear another aspect if an independent duty to be suspicious even of one's principal is owing to investors. Everyone making a promise having the quality of a contract will be under a duty to the promisee by virtue of the promise, but under another duty apart from contract, to an indefinite number of potential beneficiaries when performance has begun. The assumption of one relation will mean the involuntary assumption of a series of new relations inescapably hooked together (*Moch Co. v. Rensselaer Water Co.*, *supra*, at p. 168). "The law does not spread its protection so far" (*Robins Dry Dock and Repair Co. v. Flint*, *supra*).

ACCOUNTANTS NOT EMANCIPATED FROM THE CONSEQUENCES OF FRAUD.

Our holding does not emancipate accountants from the consequences of fraud. It does not relieve them if their audit has been so negligent as to justify a finding that they had no genuine belief in its adequacy, for this again is fraud. It does

no more than say that if less than this is proved, if there has been neither reckless misstatement nor insincere profession of an opinion, but only honest blunder, the ensuing liability for negligence is one that is bounded by the contract, and is to be enforced between the parties by whom the contract has been made. We doubt whether the average business man receiving a certificate without paying for it and receiving it merely as one among a multitude of possible investors, would look for anything more.

(2) The second cause of action is yet to be considered.

The defendants certified as a fact, true to their own knowledge, that the balance sheet was in accordance with the books of account. If their statement was false, they are not to be exonerated because they believed it to be true (*Hadcock v. Osmier*, *supra*; *Lehigh, Z. & T. Co. v. Bamford*, 150 U.S., 665, 673; *Chatam Furnace Co. v. Moffatt*, 147 Mass., 403; *Arnold v. Richardson*, 74 A.D., 581). We think the triers of the facts might hold it to be false.

Correspondence between the balance sheet and the books imports something more, or so the triers of the facts might say, than correspondence between the balance sheet and the general ledger, unsupported or even contradicted by every other record. The correspondence, to be of any moment, may not unreasonably be held to signify a correspondence between the statement and the books of original entry, the books taken as a whole. If that is what the certificate means, a jury could find that the correspondence did not exist and that the defendants signed the certificates without knowing it to exist and even without reasonable grounds for belief in its existence. The item of \$706,000 representing fictitious accounts receivable, was entered in the ledger after defendant's employee, Siess, had posted the December sales. He knew of the interpolation and knew that there was need to verify the entry by reference to books other than the ledger before the books could be found to be in agreement with the balance sheet. The evidence would sustain a finding that this was never done. By concession the interpolated item had no support in the journal, or in any journal voucher, or in the debit memo book, which was a summary of the invoices, or in anything except the invoices themselves. The defendants do not say that they ever looked at the invoices, seventeen in number, representing these accounts. They profess to be unable to recall whether they did so or not. They admit, however, that if they had looked, they would have found omissions and irregularities so many and unusual as to have called for further investigation. When we couple the refusal to say that they did look with the admission that if they had looked they would or could have seen, the situation is revealed as one in which a jury might reasonably find that in truth they did not look, but certified the correspondence without testing its existence.

In this connection we are to bear in mind the principle already stated in the course of this opinion that negligence or blindness, even when not equivalent to fraud, is none the less evidence to sustain an inference of fraud. At least, this is so if the negligence is gross. Not a little confusion has at times resulted from an indiscriminating quotation of statements in *Kountze v. Kennedy*, *supra*, statements proper enough in their setting, but capable of misleading when extracted and considered by themselves. "Misjudgment, however gross," it was there observed, "or want of caution, however marked, is not fraud." This was said in a case where the trier of the facts had held the defendants guiltless. The judgment of this Court amounted merely to a holding that a finding of fraud did not follow as an inference of law. There is no holding that the evidence would have required a reversal of the judgment if the finding as to guilt had been the other way. Even *Derry v. Peek*, as we have seen, asserts the probative effect of negligence on an evidentiary fact. We had no thought in *Kountze v. Kennedy* of upholding a doctrine more favourable to wrongdoers, though there was a reservation suggesting the approval of a rule more rigorous. The opinion of this Court cites *Derry v. Peek*, and states the holding there made that an action would not lie if the defendant believed the representation made by him to be true, although without reasonable cause for such belief. "It is not necessary," we said, "to go to this extent to uphold the present judgment, for the referee, as has been stated, found that the belief of Kennedy . . . was based upon reasonable grounds." The setting of the occasion justified the inference that the representations did not involve a profession of knowledge as distinguished from belief. No such charity of construction exonerates accountants, who by the very nature of their calling profess to speak with knowledge when certifying to an agreement between the audit and the entries.

The defendants' attempt to excuse the omission of an inspection of the invoices proved to be fictitious by invoking a practice known as that of testing and sampling. A random choice of accounts is made from the total number on the books, and these, if found to be regular when inspected and investigated, are taken as a fair indication of the quality of the mass. The defendants say that about 200 invoices were examined in accordance with this practice, but they do not assert that any of the seventeen invoices supporting the fictitious sales were among the number so selected. Verification by test and sample was very likely a sufficient audit as to accounts regularly entered upon the books in the usual course of business. It was plainly insufficient, however, as to accounts not entered upon the books where inspection of the invoices was necessary, not as a check upon accounts fair upon their face, but in order to ascertain whether there were any accounts at all. If the only invoices inspected were invoices unrelated to the interpolated entry, the result was to certify a correspondence

between the books and the balance sheet without any effort by the auditors, as to \$706,000 of accounts, to ascertain whether the certified agreement was in accordance with the truth. How far books of account fair upon their face are to be probed by accountants in an effort to ascertain whether the transactions back of them are in accordance with the entries, involves to some extent the exercise of judgment and discretion. Not so, however, the inquiry whether the entries certified as there are there in very truth, there in the form and in the places where men of business training would expect them to be. The defendants were put on their guard by the circumstances touching the December accounts receivable to scrutinise with special care. A jury might find that with suspicions thus awakened they closed their eyes to the obvious, and blindly gave assent.

We conclude, to sum up the situation, that in certifying to the correspondence between balance sheet and accounts, the defendants made a statement as true to their own knowledge, when they had, as a jury might find, no knowledge on the subject. If that is so, they may also be found to have acted without information leading to a sincere or genuine belief when they certified to an opinion that the balance sheet faithfully reflected the condition of the business.

Whatever wrong was committed by the defendants was not their personal act or omission, but that of their subordinates. This does not relieve them, however, of liability to answer in damages for the consequences of the wrong, if wrong there shall be found to be. It is not a question of constructive notice, as where facts are brought home to the knowledge of subordinates whose interests are adverse to those of the employer (*Henry v. Allen*, 151 N.Y., 1; see, however, Am. L. Inst., Restatement of the Law of Agency, sect. 506, sub-sect. 2a). These subordinates, so far as the record shows, had no interests adverse to the defendants', nor any thought in what they did to be unfaithful to their trust. The question is merely this, whether the defendants, having delegated the performance of this work to agents of their own selection, are responsible for the manner in which the business of the agency was done. As to that, the answer is not doubtful (*Fifth Avenue Bank of New York v. 42nd Street R.R. Co.*, 137 N.Y., 231; *Gleason v. Seaboard Airline Ry. Co.*, 278a, U.S., 349, 356; Am. L. Inst., Restatement of the Law of Agency, sect. 481).

JUDGMENT.

Upon the defendants' appeal as to the first cause of action, the judgment of the Appellate Division should be reversed and that of the trial term affirmed with costs in the Appellate Division and in this Court.

Upon the plaintiff's appeal as to the second cause of action, the judgment of the Appellate Division and that of the trial term should be reversed, and a new trial granted, with costs to abide the event.

Society of Incorporated Accountants and Auditors.

EXAMINATION RESULTS IN SOUTH AFRICA.

NOVEMBER, 1930.

Final.

Alphabetical Order.

- AARONOWITCH, HARRY AARON, Clerk to Kenneth White (Alex. Thal, White & Co.), United Buildings, 53-55, St. George's Street, Cape Town.
- ALEXANDER, EDGAR ALFRED, Clerk to Hands & Shore, 106, St. George's Street, Cape Town.
- BETTY, REGINALD GATH, Clerk to Leith, Freake & Cade, 75, Maitland Street, Bloemfontein.
- BODEN, CHARLES ROBERT, Clerk to P. E. T. Whiteley (Whiteley Brothers), 76-84, Beresford House, Main Street, Johannesburg.
- CARRUTHERS, DUDLEY CRAIG, Clerk to A. N. Smith (Deloitte, Plender, Griffiths, Annan & Co.), 201, Consolidated Building, Johannesburg.
- CAUSTON, CYRIL ROY, Clerk to Goldby, Panchaud & Webber, Beresford House, 86, Main Street, Johannesburg.
- CRESSWELL, FREDERICK JOSEPH JAMES, Clerk to S. L. Deane (Deane & Thresher), Barclays Bank Buildings, 105, St. Andrew's Street, Bloemfontein.
- EASTWOOD, JOHN HELPERUS RITZEMA, Clerk to J. D. A. S. Low (Douglas, Low & Co.), North British Building, Commissioner Street, Johannesburg.
- GLICKMAN, MORRIS, 70, St. George's Street, Cape Town, Practising Accountant.
- GRIEVESON, RONALD EUSTACE, Clerk to P. E. T. Whiteley (Whiteley Brothers), 76-84, Beresford House, Main Street, Johannesburg.
- HOLMES, TOM ALEXANDER, Clerk to Leith, Freake & Cade, 75, Maitland Street, Bloemfontein.
- HOUSTON, ERROL CHAPMAN, Clerk to P. M. George (Halsey & George), Rennie's Buildings, 394, Smith Street, Durban.
- JONES, BASIL SANDERS, Clerk to B. Halsey (Halsey and George), Rennie's Buildings, 394, Smith Street, Durban.
- KEY, BRANSBY ASTON, Clerk to Goldby, Panchaud & Webber Beresford House, 86, Main Street, Durban.
- KNIGHT, WILLIAM LESLIE, Clerk to W. Murray Smith & Berend, 378 and 380, Smith Street, Durban.
- McFARLANE, PETER STEWART, Clerk to A. D. Hodgson (Douglas, Low & Co.), North British Buildings, Commissioner Street, Johannesburg.
- OLSEN, HELMER ARNOLD, formerly Clerk to A. L. Palmer, Transvaal Goldfields Building, Fraser Street, Johannesburg.
- RICHMOND, MICHAEL, Clerk to R. B. Hogg (Gibson, Whiteley & Co.), Namaqua House, Greenmarket Square, Cape Town.
- ROWLAND, JOHN REID (JUNR.) Clerk to Collins & Croxford, P.O. Box 403, Salisbury.
- RUSH, ERIC DAVID BELLEW, Clerk to Dougall, Lance and Hewitt, 257, Pretorius Street, Pretoria.
- SURITZ, BARNETT, Clerk to Levy & Co., 106, Adderley Street, Cape Town.
- WAGENER, VOLKER ODHIN WIDAR FRIEDRICH, B.Sc., Clerk to Leith, Freake & Cade, 79, Maitland Street, Bloemfontein.

(11 Candidates failed to satisfy the Examiners.)

Intermediate.

Order of Merit.

- SURTEES, GEOFFREY HUTCHINSON, Clerk to E. C. Cade (Leith, Freake & Cade), 79, Maitland Street, Bloemfontein. (Eighth Place Certificate.)

Alphabetical Order.

- BRAMWELL, WILLIAM DALE, Clerk to B. Halsey (Halsey & George), Rennie's Buildings, 394, Smith Street, Durban.
- CARTER, HUGH GORDON, Clerk to C. J. MacNaughton (Deloitte, Plender, Griffiths, Annan & Co.), Agency Buildings, Main Street, Bulawayo.
- CRAIG, ALAN CAMPBELL, Clerk to J. A. Young (Samuel Thomson & Young), North British Building, Commissioner Street, Johannesburg.
- DOBLE, ARTHUR HENRY, Clerk to W. B. Gurney, London and Lancashire House, 148, St. George's Street, Cape Town.
- EASTON, EDWIN CURRIE, Clerk to F. E. Roberts (Stuart & Roberts), Stanley House, Commissioner Street, Johannesburg.
- FLEMING, ALAN WALTON, Clerk to M. van der S. Dreyer (M. Dreyer & Co.), 1, 3 and 7, Lawley's Building, Fox Street, Johannesburg.
- FRITH, WALDO EARL, Clerk to D. Mackeurtion (George Mackeurtion, Son & Crosroer), Old Well Court, 376, Smith Street, Durban.
- GLEN, NOEL, Clerk to James Stewart (James Stewart and Steyn), 14-18, United Buildings, 33, Rissik Street, Johannesburg.
- KEAY, RALPH, Clerk to G. A. Woodthorpe, P.O. Box 502, Bulawayo.
- LE FEUVRE, EDMOND ERNEST CLAUDE, Clerk to E. R. Syfret (E. R. Syfret & Co.), Burg and Wale Streets, Cape Town.
- PITTMAN, ALFRED TAYLOR, B.A., Clerk to E. R. Syfret (E. R. Syfret & Co.), Burg and Wale Streets, Cape Town.
- POLLAK, EDGAR ROBERT, Clerk to F. G. W. Tucker, Calcutta House, Loveday Street, Johannesburg.
- PUGH, FRANCIS STEWART ADLINGTON, B.Com., Clerk to R. B. Hogg (Whiteley Brothers), Beresford House, Main Street, Johannesburg.
- SANDISON, GEORGE MACKINTOSH, Clerk to P. M. George (Halsey & George), Rennie's Buildings, 394, Smith Street, Durban.
- STEIN, ARTHUR MAX, Clerk to E. C. Cade (Leith, Freake & Cade), 73, Maitland Street, Bloemfontein.
- TABERER, CHARLES BLAIR, Clerk to E. C. Pulbrook (Pulbrook & Wright), Manica Chambers, Manica Road, Salisbury.
- THIAN, CLIFFORD PETER, Clerk to A. E. Hurley (Deloitte, Plender, Griffiths, Annan & Co.), 17 and 18, Royal Exchange Building, Smith Street, Durban.
- TURNER, ALEXANDER RONALD, Clerk to Thomas Sterling, 56-58, National Mutual Buildings, Rissik Street, Johannesburg.
- WINEARLS, JAMES ROBERT, Clerk to C. D. Gibson (Gibson, Whiteley & Co.), Namaqua House, Greenmarket Square, Cape Town.
- WUTH, RICHARD GEORGE, Clerk to A. E. Hurley (Deloitte, Plender, Griffiths, Annan & Co.), 17 and 18, Royal Exchange Buildings, Smith Street, Durban.
- YOUNG, SYDNEY WILLIAM WAYLAND, Clerk to R. B. Sinclair, North British Buildings, Simmonds Street, Johannesburg.

(17 Candidates failed to satisfy the Examiners.)

Preliminary.

(1 Candidate failed to satisfy the Examiners.)

UNEMPLOYMENT INSURANCE COMMISSION.

*Further Evidence of Mr. J. F. G. Price.

The Royal Commission on Unemployment Insurance, at its second public sitting, under the chairmanship of Judge Holman Gregory, resumed the examination of Mr. James F. G. Price, C.B., A.S.A.A., secretary to the Ministry of Labour, who is in charge of the Unemployment Insurance Department.

He said that an unemployed workman with a wife and four children would receive 34s. a week benefit. There were cases where workmen were receiving benefit in respect of more than four children.

Judge Gregory: It may be that a workman is getting as much as thirty-eight shillings or £2 weekly in benefit?

Mr. Price: That is quite a possibility. I have no specific cases in mind, but from an analysis made by the Ministry some time ago it would appear that there were some claimants who had a considerable number of children.

Benefit is paid irrespective of the normal wages received by the man when in work?—Yes, there is no relation between wages and the benefits paid.

So a man may receive thirty-five shillings a week wages when in work, and when out of work, if he has a large family, receive more benefit than he receives in wages when working?—That is a possibility.

Mr. Price added that he recalled no specific cases.

Judge Gregory: Under the Acts a man who is earning thirty-five shillings when working receives exactly the same benefit as a man who earns £5 a week?—Yes. The answer to that may be that both contribute the same amount to the fund.

Judge Gregory: That is a matter we shall have to consider.

Mr. Price said that under the Health Insurance scheme the benefits for a man were 15s. and for a woman 12s. weekly. It was true that if a man were unable to work by reason of sickness for six months, he would receive 15s. a week, and if he were unemployed and a married man with children, his benefit under the Unemployment Insurance scheme would, in many cases, be more than double that amount. He knew of no cases in which a man had "come off" the Health Insurance before he ought in order to get benefit under the Unemployment Insurance. To receive sickness benefit a man must be certified as incapable of working. Under the Unemployment Insurance scheme he must definitely be capable of work.

Asked if there were any anomalies in regard to dependants, Mr. Price said that representations had been made to the Minister. For instance a widower was not entitled to dependant's benefit for a grown-up daughter who kept his home for him if there were no younger children under her care.

Judge Holman Gregory: Is it a fact that persons who are on holiday claim benefits under the Act?—They cannot receive benefits in respect of customary holidays, but a period of closing down the works is sometimes extended beyond the customary period.

Is it not more or less common in the North of England, at Easter and Whitsun, to have extended holidays?—Holidays in various places are of varying duration. No benefits are paid for customary periods.

* This is in continuation of the report which appeared on page 129 of our last issue.

Mr. Price added that if an extension of the holiday was for more than twelve days, the benefit was paid for the whole period, including the customary holiday.

In that case the extension, speaking generally, was regarded as having been sufficiently long to enable the workpeople to be classed as discharged, and not merely as put off for a holiday.

In a memorandum prepared for the Commission and presented by Mr. Price, it was stated that the reason for requiring a waiting period at the commencement of a spell of unemployment was that when the workman first fell out of employment he should not have pressing need for assistance and might be expected to have resources which would enable him to tide over a short period of unemployment. It also furnished a period within which the claim for benefit could be examined and assessed. The scheme did not provide benefit for all isolated days of unemployment. To do so would add greatly to the cost of benefit and administration. Days of unemployment must be "continuous" with one another in order to entitle the unemployed worker to benefit. The rule under which "continuous" unemployment was defined enabled benefit to be paid for odd days subject to a minimum of three days' unemployment out of six consecutive days, excluding Sunday.

Mr. Price, replying to the chairman, said that recently the management of a colliery rang up the local Labour Exchange and asked if it was correct, as they had been told, that if their men worked that afternoon shift they would lose benefit for two days on which they had been unemployed in the previous week. As it was the sixth day of the period within which those two days could count for benefit, the management were told that their information was correct. The Ministry was informed that the colliery management decided to close their pit that afternoon and the men qualified for benefit for three days.

Mr. Price said that the term "unemployment" was nowhere in the Act defined affirmatively. It was only defined negatively. In the month of November the number of people on transitional benefit was 371,000 odd, and the number on ordinary benefit was just under 1,700,000.

Replying to the chairman, Mr. Price said that the repeal of the "genuinely seeking work" provision had certainly added considerable numbers to those receiving benefit, but the number on transitional benefit before the amending Act was passed last March, was 140,000, and shortly after the new Act began to operate it was 300,000. That would not be ascribed to one condition only.

Mr. Price said that the procedure for deciding claims had worked satisfactorily on the whole. There had been considerable congestion of cases in the Umpire's office partly due to the new procedure by which all doubtful cases were sent to the Court of Referees, and partly to the heavier unemployment this year. A grant of forty thousand pounds a year was made from the Unemployment Fund towards the cost of approved courses of instruction for persons under the age of twenty-one years.

The Chairman: Is that made full use of? Is that as far as it is possible to do it?

Mr. Price: I should hope there is ground for development there. I feel there is room for more beneficial instruction—training of the kind that is given to keep men fit and make them happy.

Mr. Price said that the average amount paid each week to those in receipt of benefit was 18s. 4d. per person.

Replying to Judge Holman Gregory, the chairman, he said that if a person while in insurable employment also had subsidiary employment which he followed at odd

times he was allowed to continue that subsidiary employment and receive remuneration from it, and at the same time receive unemployment benefit in respect of his main occupation, so long as the remuneration from the subsidiary employment did not exceed one pound a week.

Cases had come to the notice of his department where wages from subsidiary occupations had been reduced in order that unemployment benefit could be obtained as well as the additional remuneration. A man becoming unemployed could obtain subsidiary employment and remuneration in addition to his benefit if the subsidiary employment could have been carried on while he was working in his main occupation.

The Chairman: A married man with four children would receive thirty-four shillings a week benefit, and could earn another one pound a week?—Yes, and in addition to that his wife might also be earning from a main occupation, and also have subsidiary employment.

The Chairman: In these circumstances it would not be much encouragement to a man to look for work in his main occupation?—There is no obligation on an individual now to look for work. The onus has been removed from him to seek work.

The Chairman: I understand that in some trades minimum wages are fixed for so many hours a week. In bad times that arrangement can be abrogated and a man can work a few hours a day and receive less than the minimum wage. On the other hand, if a portion of the work is done at piece-rates it would be possible for a man in three days to earn more than the minimum wage of 56s., and draw benefit for the remaining three days of the week. Does that happen to any great extent?

Mr. Price: Yes, we have cases brought to our notice where piece-workers are crowding into three days with longer hours work that would normally take four days so that they can obtain unemployment benefit for the remaining three days.

Mr. Price agreed that employers or foremen could prevent that happening by doling out small quantities of work each day. An employer always had the right to regulate his works as he pleased.

Mr. Price promised to supply the Commission with specific instances in which piece-workers had crowded their work into three days in order to obtain benefit, so long as the names of the firms were not given.

Recently there had been a good deal of criticism of the payment of unemployment benefit to married women. With regard to the ground of criticism that the married woman claimant had no intention of taking re-employment, it should be observed that it was not possible to produce direct evidence with regard to the intentions of claimants, and it was often impracticable to apply the test of an offer of work. The conditions of the 1930 Act made it easier for all insured persons to claim benefit, married women in particular. It was estimated that the total number of insured married women was not more than 30 per cent. of the total number of insured women. Between February and October the increase in the number of single women claimants was 71,908. The increase among married women, if proportionate, should have been not more than 30,000. In fact it was 109,809, over three times as many.

As the severe depression in the cotton textile trade inevitably caused a considerable increase in unemployment among married women, it was of interest to examine the figures, excluding the north-western division, in which Lancashire was situated. The increase among single women in the other divisions was 36,654. The

proportionate increase among married women should have been not more than approximately fifteen per cent. In fact it was 57,252, nearly four times as many. "The general increase in married women's claims cannot wholly be explained by the cotton trade being badly hit. It is no doubt partly due to the increase in unemployment generally and also partly due to the relaxation of the conditions under the Act of this year."

The Chairman: Married women who would not otherwise claim, are now claiming?—That is so.

May it be too that in times of depression, employers would give notice to married women before single women?—Yes.

Mr. Price suggested that one of the matters to which the Commission would want to direct their attention, would be means of drawing a distinction between women in localities of different types. Many married women were living in districts where there was little or no prospect of a resumption of insurable employment. For instance, in Birkenhead, of 880 adult women on the register, sixty per cent. were married women, and seventy-two had not worked since marriage. The married women were usually registered as cleaners—as few firms engaged married women—but opportunities for cleaning work were rare. In Bootle, of 2,642 women on the register, 40 per cent. were married. The only openings in the area for married women were occasional domestic jobs.

Mr. Price quoted a case at Hamilton as an instance of those married women claimants whose financial position made work unnecessary. The claimant, he said, had not worked since her marriage last July. She was previously a barmaid. Her husband, a locomotive fireman, earned £3 6s. a week. Married women were not employed as barmaids in the district. There were approximately 80 cases of a similar nature in the same town.

Dealing with the position of seasonal workers Mr. Price said that he had no definite information about what happened in the winter to such people as chair attendants and other seaside employees before the Unemployment Act came into force. He presumed that, as now, they worked in the summer and did not work in the periods between.

The Chairman: Apparently they used to rest at home and now they decide to draw the dole.

While Mr. Price was referring to the fish workers of the Isle of Lewis, Judge Holman Gregory said, "That is not insurance. Insurance has to do with chance—insuring against the chance of being out of work. There is no chance here. These people know they are going to work for thirty weeks in the year and not going to work for the rest of the time."

Mr. Price: That is the position. Before the Insurance Act I imagine they never did work in the close season, but stayed at home with their parents or other relatives.

Referring to one of a number of sample cases of fruit canners and pickers, submitted by Mr. Price, Judge Holman Gregory said, "Here is a case of a married woman kept by her husband. Before the Act she worked for extra money for dress or something of the sort during the season. Since the Act came into operation, for nine months of the year, speaking very broadly, she gets fifteen shillings a week."

Mr. Asbury: We do not know the fact or the husband's circumstances. Perhaps the extra money was not for dress.

Judge Holman Gregory: That is quite true.

Mr. Price promised to obtain details of the case.

In a memorandum on short-time work, Mr. Price stated that the payment of unemployment benefit to people who worked regular short-time was variously regarded as the subsidisation of wages, as the expenditure of public money where it is not really needed, and as a ready and convenient way of dealing with heavy unemployment. It was often said that unemployment benefit enabled an industry to maintain a reserve of labour at the cost of the contributors to the scheme.

As to whether short-time workers needed benefit, that was a part of the general question whether a compulsory contributory insurance scheme could make its payments conditional upon need. There could be no doubt that the payments of benefit to short-time workers was a convenient way of meeting a critical unemployment situation. "Systematic short-time is commonly arranged so as to enable workers to qualify for the maximum amount of benefit. In some industries it is becoming a settled practice to arrange that large numbers of workpeople are regularly supported in part by the Unemployment Fund. Trade unions are alert to enter into negotiations with employers in this connection. In some cases arrangements are made under which, though the employees work on the same number of days as they would if there had been no arrangement, the days are nevertheless so grouped that the workers may qualify for benefit. In other cases the work is crowded into fewer days with longer hours. In some cases there are special arrangements for pooling wages and benefit. A colliery company in connection with a dispute at their works circulated a leaflet in which they said 'the pits will be so worked as to enable the employees to qualify for three days' unemployment benefit in alternate weeks. The unemployment benefit will therefore more than cover the reduction in wages.' In another case an agreement was made to work short time so as to avoid discharges. The trade union concerned circulated to its members a statement justifying the arrangement on the ground that unemployment benefit could be drawn, and giving instructions as to how this could be secured."

Judge Holman Gregory later remarked: "One of the things we must pay attention to is what people are insuring against—not enough money to maintain themselves or unemployment pure and simple."

Under the existing dispensation, Mr. Price stated that transitional benefit was payable up to April 18, 1931, or to the end of a benefit year which began before that date. The conditions under which transitional benefit was payable were considerably easier than for what might be called ordinary benefit. The main point was that the claimants could not satisfy the full contribution condition and an easier test was applied in their case.

Subject to satisfying that easier contribution test the transitional benefit claimant might continue to receive benefit on very much the same conditions and for the same period as ordinary claimants. "The outstanding point," Mr. Price said, "is that the rights of the transitional benefit people will come to an end in April, and from that date an increasing number of people who are now drawing benefit will cease to be eligible for it. At present there are between 350,000 people and 400,000 drawing benefit under transitional conditions. None of them would be entitled to any benefit after April, 1932, and from April, 1931, until April, 1932, an increasing number will cease to qualify. If that is not to happen it will be necessary to pass amending legislation before Easter and my object is to ask the Commission to be good enough to give their attention to that problem."

Society of Incorporated Accountants and Auditors.

COUNCIL MEETING.

A meeting of the Council was held on January 22nd. There were present:—Mr. Henry Morgan (President) in the chair; Mr. E. Cassleton Elliott (Vice-President), London; Mr. R. Wilson Bartlett, J.P. (Newport, Mon.); Mr. R. M. Branson (Leicester), Mr. Henry J. Burgess (London), Mr. D. E. Campbell (Wolverhampton), Mr. Arthur Collins (London), Mr. W. Allison Davies, O.B.E. (Preston), Mr. Thomas Keens (Luton), Mr. E. T. Kerr (Birmingham), Sir James Martin, J.P. (London), Mr. James Paterson (Greenock), Mr. W. H. Payne (London), Mr. W. Paynter (London), Mr. A. E. Piggott (Manchester), Mr. G. S. Pitt (London), Mr. Alan Standing (Liverpool), Mr. Percy Toothill (Sheffield), Mr. F. Walmsley, J.P. (Manchester), Mr. R. T. Warwick (London), Mr. E. W. C. Whittaker, J.P. (Southampton), Mr. Richard A. Witty (London), Mr. A. E. Woodington (London), Mr. F. Woolley J.P. (Southampton), Mr. A. A. Garrett, M.A., B.Sc. (Secretary), Mr. J. R. W. Alexander, M.A., LL.B. (Parliamentary Secretary), and Mr. Ernest E. Edwards, B.A., LL.B. (Assistant Parliamentary Secretary).

Apologies for non-attendance were received from Mr. Walter Holman, Mr. C. Hewetson Nelson, J.P., Mr. J. Stewart Seggie and Mr. A. H. Walkey.

DEATH OF SIR CHARLES WILSON, LL.D., PAST PRESIDENT.

At the commencement of the business the President referred to the great loss sustained by the Society through the death of Sir Charles Wilson. The Council adopted in silence a vote of condolence with Lady Wilson and the members of the late Sir Charles Wilson's family.

The Secretary reported the deaths of the following members:—Samuel George Brown (Fellow), Winnipeg (Canada); Clement Henry Collett (Associate), Bradford; George Drowley (Associate), London; Thomas William Hayes (Associate), Hanley; William Picton Jones (Fellow) Swansea; William McIver (Associate), Melbourne; Edwin Claude Newman (Associate), London; George Simpson (Associate), Bradford; Andrew Robertson Weir (Fellow), Glasgow; Charles Rowley Whitnall (Fellow), Liverpool; Sir Charles Henry Wilson (Fellow), Leeds.

COUNCIL.

The President welcomed Mr. Richard A. Witty as a London member of the Council upon taking his seat for the first time.

The Council resolved to appoint to a vacant seat on the Council, caused by the death of Sir Charles Wilson, Mr. Frederick Holliday (Fellow) of Messrs. Fredk. and C. S. Holliday, Incorporated Accountants, Leeds.

SIR WILLIAM PLENDER, BART., G.B.E.

The following resolution was adopted and ordered to be forwarded to Sir William Plender:—"That the Council of the Society of Incorporated Accountants and Auditors tender to Sir William Plender, Bart., G.B.E., LL.D., their cordial congratulations upon the honour of a Peerage which it is His Majesty's intention to confer upon him."

INCORPORATED ACCOUNTANTS AND CLIENTS' MONEYS.

The following resolution was adopted and ordered to be published:—"That the Council of the Society of Incorporated Accountants and Auditors recommends all members to observe the current practice adopted by Incorporated Accountants of keeping the moneys of clients in a separate banking account or banking accounts exclusively used for the purpose."

Other business was transacted and a number of new members were elected.

COMPANY REGISTRATIONS

AT

SOMERSET HOUSE.

The following is a summary of the registrations from January 1st to December 31st, 1930, as compiled by Messrs. JORDAN & SONS, LIMITED, Company Registration Agents, Chancery Lane, London, W.C. :—

Classes.	Public Companies.*		Private Companies.		Totals.	
	Number Registered.	Capital.	Number Registered.	Capital.	Number Registered.	Capital.
		£		£		£
Advertising	1	—	112	323,210	113	323,210
Banks	3	120,100	51	6,613,275	54	6,733,375
Boots and Shoes	—	—	64	541,800	64	541,800
Bricks, Cement, &c.	3	225,000	126	829,395	129	1,054,395
Builders	—	—	438	1,827,650	438	1,827,650
Carriers	2	150,000	240	913,800	242	1,063,800
Chemists	7	3,729,300	336	3,286,328	343	7,015,628
Clothing	5	125,000	685	2,656,083	690	2,781,083
Clubs	63	51,850	62	56,105	125	107,955
Drink	4	817,000	72	854,297	76	1,671,297
Electricity, Gas and Water	12	679,000	281	1,131,275	293	1,810,275
Engineers	12	459,100	408	3,195,225	420	3,654,325
Farmers and Planters	5	633,000	65	731,701	70	1,364,701
Food	13	699,700	635	4,698,475	648	5,398,175
Furniture	3	70,200	252	1,214,178	255	1,284,378
Glass and China	2	176,000	69	234,075	71	410,075
Hotels	6	596,550	106	556,410	112	1,152,960
Insurance	5	50,100	44	38,610	49	88,710
Iron, Brass, &c.	6	15,700,200	249	1,833,950	255	17,534,150
Jewellery	1	200,000	66	427,300	67	627,300
Kinemas	6	226,000	173	871,800	179	1,097,800
Land and Houses	15	520,000	355	3,040,322	370	3,560,322
Laundries	2	11,000	55	251,050	57	262,050
Leather	—	—	71	329,850	71	329,850
Merchants	1	—	143	2,810,102	144	2,810,102
Mines	23	12,497,955	173	2,223,620	196	14,721,575
Miscellaneous	2	10,100	195	309,740	197	319,840
Moneylenders	—	—	70	331,100	70	331,100
Motors	12	1,159,600	555	1,709,075	567	2,868,675
Music	7	171,100	114	680,100	121	851,200
Newspapers	2	121,000	70	1,041,755	72	1,162,755
Nurserymen	2	5,000	37	408,175	39	413,175
Nursing	15	—	21	82,700	36	82,700
Oil	4	560,100	66	696,550	70	1,256,650
Patents	3	78,000	130	346,385	133	424,385
Photography	2	245,000	43	81,850	45	326,850
Publishers	1	—	116	361,955	117	361,955
Railways	3	721,230	6	23,500	9	744,730
Rubber	4	850,000	32	161,100	36	1,011,100
Schools	5	—	24	139,700	29	139,700
Shipping	7	1,487,000	105	868,280	112	2,355,280
Sports	33	494,350	223	695,755	256	1,190,105
Stationers	3	156,000	157	669,771	160	825,771
Stocks and Finance	11	1,194,200	103	3,012,650	114	4,206,850
Textiles	6	607,100	391	3,059,674	397	3,666,774
Theatres	4	77,500	136	1,061,446	140	1,138,946
Timber	1	120,000	106	596,470	107	716,470
Tobacco	1	5,000	51	97,210	52	102,210
Totals (for year 1930)	328	45,800,535	8,082	57,924,827	8,410	103,725,362
Corresponding figures in 1929	623	156,192,157	8,049	73,375,965	8,672	229,568,122

* In this Column are included "Companies Limited by Guarantee" and "Associations Not for Profit" without Share Capital, such Companies being technically Public, however small the Membership may be.

The Public and The Stock Exchange.

A LECTURE delivered before the South of England District Society of Incorporated Accountants by

SIR STEPHEN KILLIK, J.P., F.S.A.A.

The chair was occupied by Mr. E. W. C. WHITTAKER, J.P.

SIR STEPHEN KILLIK said: I do not propose to enter into an historical description of the growth of the Stock Exchange, which would take too long, and is probably not quite what you would prefer me to talk about, but rather to make a few more or less discursive remarks about Stock Exchange business generally, the manner in which it is conducted, and also to touch upon one or two points of comparatively recent interest, such as the part played by the Stock Exchange during and after the War, and also in connection with what is known as the Hatry crisis, in order mainly to offer opportunities for thought and for discussion.

About thirty years ago a well known writer said of the Stock Exchange:—

"The Stock Exchange has been described as the mart of the world; as the nerve-centre of the politics and finances of nations; as the barometer of their prosperity and adversity; and so on. It has also been described as the bottomless pit of London, and as worse than all the hells. Perhaps, however, the Stock Exchange can best be described as a market. Just as Smithfield is the market for meat, and Covent Garden the market for flowers, fruit and vegetables, so is the Stock Exchange the market for stocks and shares."

That is just what it is—a market; but it is a market, which, dealing as it does in securities representing the trade, commerce, industry and finance of this country, as well as of all other leading countries of the world, it is still true to describe as a barometer of their prosperity and adversity.

In spite of these somewhat grandiloquent words, there are comparatively few people who are familiar with even the situation of the Stock Exchange itself—still fewer probably who know how the business is carried on, although I am not suggesting that such ignorance is to be found to any extent among the enlightened audience which I am addressing to-night.

At the risk, therefore, of being too elementary, I want to draw your attention to the fact that the members of the Stock Exchange are divided into two classes—brokers and jobbers. Brokers you know all about. Perhaps some of you may think you know too much about them. I hope not. But the jobber is so often looked upon as a sort of parasite who exacts a tax upon all bargains for which the public have to pay, that I think I should like to say a word or two in favour of the jobber, not as a necessary evil, but as a necessary link in the chain of business without which the public would be much less efficiently served than it is at present.

The jobber stands in the market all day ready and anxious to deal in the particular securities in which he specialises. The Stock Exchange is divided into many markets, the Consols market, where they deal in Government, Corporation, Colonial and other similar stocks, generally known as gilt-edged, the Home Railway market, the Foreign Railway market, the market for Foreign Bonds, that for Industrial shares, and so on, and the jobber directs his attention to a particular market. In fact, he is not allowed to deal in more than one market. If he has partners they can deal in other markets, but an authorised clerk cannot represent a firm unless they have

a partner who stands in that particular market. When a broker has an order to execute on behalf of a client, he seeks a jobber in the market in which he wants to deal, and asks for a price.

The jobber quotes two prices, and here I may mention that the County Council conducts some valuable technical classes in various subjects, among which are included Stock Exchange practice, and these classes are numerous attended by the youth of both sexes anxious to improve their acquaintance with the business in which they are or hope to be engaged. Examinations are held in the various subjects, and in a recent examination paper on Stock Exchange business the question was asked, "What do you understand by a jobber quoting two prices, for instance, Courtaulds 36s. 37s.?" to which one of the lady candidates, fresh probably from the Christmas sales, replied, "There are two qualities, and the highest price is for the best."

That, as you know, is not quite correct. The two prices simply mean that the jobber is prepared to deal within those limits, and that if you are a seller you will get a somewhat lower price than you would have to pay if you were a buyer, the difference being known as the jobber's turn. Many people seem to think that if jobbers were eliminated, the buyer and seller would do better because there would be no need to provide for the jobber's remuneration.

Let us think for a moment what would happen if there were no jobbers. The broker, if he were a buyer, would have to go all round the Stock Exchange to find a seller. He might have to be content with doing only a small portion of his business, and by the time his order was completed conditions might have changed, so that he would in the end have paid more for his stock, and the time and trouble and expense of completing the bargain would have entirely outweighed whatever advantage there may be assumed to be in not having to pay the jobber's remuneration.

Here again I should like to correct another rather common misapprehension. It is often thought that if Courtaulds are quoted in the newspapers at 36s. 37s. that the jobber who deals in them makes 1s. per share profit on all his transactions. That would be ideal for the jobber, but what happens is that he makes a closer price according to the condition of the market at the time or in competition with other dealers. Again, the broker's business is to sell at the highest price obtainable, or to buy on the lowest terms possible in order to do the best he can for his client. It may be, therefore, that by skilful negotiation the broker is able to deal at a very small margin between the two prices. But it does not even then follow that the jobber will make a profit equal to the whole of the turn. On the contrary he may—and frequently does—make a loss on a particular bargain.

The ideal bargain for a jobber would be to buy, say, 500 shares from one broker, and sell 500 shares to another, thus making a profit of the full turn between the two brokers. But what happens is that if a broker buys 500 shares the jobber at once endeavours to get the shares back in the market in order to be able to supply them when the settling day arrives. He may have a few shares on his book, or he may be short of still more shares, and by the time he has bought back all the shares he has sold the market may have gone against him, so that he may eventually make a loss on the whole deal. As a rule, however, he makes a profit or he would not remain in business.

It may be said that London is the only market where jobbers exist, and to a large extent this is true; but on

the other markets dealing takes place in a comparatively small number of securities, the stocks dealt in in provincial or foreign exchanges being counted by hundreds, or sometimes by tens, instead of by thousands, as in London. I quite realise that in stocks where the market will always of necessity be a very limited one, the jobber's remuneration is sometimes disproportionate to the service which he renders, but I am quite convinced that the freedom of dealing in London, as compared with other markets, is very largely due to the system of jobbers or dealers, and that they do, as a matter of fact, render a distinct public service.

You will gather from what I have said that as the public do their Stock Exchange business through brokers they do not come into contact with jobbers, who have no relations with the public. In fact, jobbers are not permitted to deal with anyone but members, and they get their business from the brokers—that is to say, when there is any to do. Recently, as you are all aware, Stock Exchange business has been at a very low ebb, and I was told a day or two ago that a jobber in complaining to another jobber of the paucity of business said, "I never see a broker nowadays," to which the reply was, "Come to my house—I have had one there for a month."

Now I should like to tell you another elementary fact. When a broker deals with the jobber, he enters the bargain in pencil in a little memorandum book, and the jobber does the same thing. These bargains, as you will realise, amount in active times to millions of pounds every day. The bargains are checked the next morning by clerks from the various offices in a large room at the basement of the Stock Exchange known as the Checking Room, and disputes are very rare and are usually settled amicably without recourse to the Committee. I can hardly recollect a case of a disputed bargain being brought before the Committee for adjudication. This, I think, is a great testimony to the straightforwardness of the members, and is an excellent illustration of the well deserved reputation of our countrymen for business honesty.

I do not propose to enter into any details as to what happens to the bargain when it is effected; that is to say, in regard to contracts, the settlement, and other subjects of which you have all had experience.

There is one matter which I think I might touch upon with advantage, and that is options. Option dealing is not carried on to anything like the extent it was before the War, but there is still a good deal of business done when markets are active. There are three kinds of options, the put, the call, and the double option. A call option may be described as the payment of an agreed sum to acquire the right to buy shares at a fixed price on a given future date. A put option is the reverse; that is to say, the purchaser acquires the right to sell shares at an agreed price on a given date. A double option gives the purchaser the right either to buy or sell the stock under these conditions.

Options have never been so popular a medium of speculation on the London Exchange as they have been on the Continental bourses, particularly Paris. An option acts as an insurance, but most speculators seem to prefer to buy or sell the stock outright, rather than pay the cost of the option, which would reduce *pro tanto* the profit which they hope to make.

An option is, however, a very useful method of limiting loss in the case of a speculative sale or purchase. For instance, if you formed an opinion that a stock would have an important advance, but did not want to run the risk of serious loss in case your view were incorrect, you could acquire a call option, or as it is technically called, "give for the call" of the stock, and the amount of the

option money is the whole extent of your loss. When the option time arrives, if the price is higher you call the stock at the original fixed price, or if it is lower you simply abandon the option and there is no further liability.

Again, if you prefer to buy the stock and want to limit your risk, you can give for the put, and you are the protected, no matter to what extent the stock may fall by means of your option you are able at any time during its currency to sell a similar amount of stock at the option price and buy it back at the lower price. By this means you make a profit equivalent to your loss on the original purchase, less, of course, the price of the option.

Option dealing, however, is rather an intricate subject and you will realise from what I have said that it is capable of great development. The protection of the option enables one to deal in and out of the stock more than or before the option expires, but I cannot pursue the matter further as it would take too long to explain all the various phases of this class of dealing.

The Stock Exchange is often looked upon simply as an institution carried on for the purpose of speculation and gambling. That is a very erroneous view, as except when a wave of speculation seems to engulf the whole public for the time being, members of the Stock Exchange are mainly engaged in legitimate investment business. Whilst I do not like speculation and detest gambling, it may seem strange when I tell you that I want to say a few words in favour of the speculator as performing a useful function in the business life of the community.

I have explained to you how the jobber does his business, and from one point of view he may be considered a speculator, but he is a speculator only in the ordinary way of business, just as a shopkeeper, who buys from the wholesale houses at one price in the hope of selling to his customers at a profit, is a speculator. In spite, therefore, of its speculative character, the business of a jobber cannot be considered as differing from that of any other trading member of the community.

A person who buys stock and pays cash for it may be said to be an investor. If he buys stock without possessing the cash to pay for it, and finances the deal either by way of a loan from his banker or by paying a rate of interest from account to account (called a *contango*), he may be described as a speculator. It is difficult to distinguish between the investor who invests in the hope of being able to sell his stock at a profit rather than to rely on the rate of interest he receives, and the speculator pure and simple. In these days of high taxation a great many investors prefer to look for capital appreciation rather than dividends. If, therefore, it is a perfectly moral transaction for a man to invest his money with the object of capital appreciation, it is surely not less moral for a man with a small capital to use his brains to make that capital go further than the rich man by financing his business through his banker or stockbroker.

Let us take the converse operation. If an investor holds certain stock the price of which he considers too high, he will naturally sell it. There were plenty of opportunities during the recent boom for selling stocks at prices far above their intrinsic value. If an investor adopts this course, there is nothing immoral in his repurchasing the stock when the price has fallen to a lower level; and the speculator who sells stock which he has not got, but which he thinks too high, in the hope of buying it back when the inevitable fall occurs, is merely carrying out the same principle.

It is difficult, therefore, to say that the person who speculates in stocks and shares is in any way morally inferior to the ordinary investor. As a matter of fact, the speculator performs a service to the community which is

frequently overlooked. He increases the number of dealings in the shares which he selects for his operations, and by so doing creates a free market by which means the investor is able to buy or sell stock on more favourable terms.

This may be easily realised when it is pointed out that in the ordinary shares or stocks of, say, English railways or Argentine railways, or the ordinary shares of industrial or other companies, the dividends fluctuate by reason of the activity or otherwise of trade, the yield of the investment, and from other causes. These stocks therefore offer inducement to speculators to buy or sell as the case may be in order to take advantage of their knowledge or judgment as to whether the harvest is likely to be a good one, or whether any particular class of trade is likely to develop or otherwise, which might have an effect on the market value of the ordinary stocks. As a consequence, there is nearly always a free market in these stocks, and a broker who has an investment order is able to deal to much better advantage than he could in the absence of speculative dealings. Now in the case of the debentures or prior charges, the interest or dividends on which do not vary, there is no temptation to deal speculatively, and the stocks are more difficult to deal in, and the market turn is consequently wider.

The main argument against speculation is that it leads to gambling. If you ask me where speculation ends and gambling begins I am afraid I cannot answer you. It is difficult to define gambling, but many years ago it was thus described by a writer in the *Quarterly Review*:—"Gambling may be said to be the risking of larger sums than a man can afford on ventures over which his own industry can exercise little or no control." And I think we must leave it at that.

Just a few words about the settlement of the account. We will take first the case of a bargain for which the purchaser does not wish to find the cash and which it is desired to carry over or continue to the next account. On the first day of the account, known as Contango Day, the broker can as a rule find another member who is prepared for an agreed rate of interest to finance the transaction, or as it is termed "take in" the stock, the buyer being said to "give on" it, or in other words pay a rate of interest. What in effect happens is that he sells the stock for the current account to close the position, and repurchases it for the following account at the same price plus the contango or interest. The price at which the contango is put through is fixed by the officials of the Stock Exchange every account, and is called the making up price. The difference between the price of the original bargain and the making up price is paid or received on the pay day.

The second account day is called Ticket Day. On that day the names of the purchasers of registered stocks have to be communicated to the sellers, and this is done by means of what are called tickets. They are pieces of paper about the size of a banker's cheque, on which are written the name and address of the person in whose name the stock is to be registered, together with the price of the bargain. At the foot of the ticket, where the signature on a cheque is placed, is the name and address of the broker who issues the ticket, and who undertakes to pay for the stock when it is delivered to him accompanied by the ticket. These tickets are of the nature of negotiable instruments, and they are passed from one member to another until they are accepted by the original seller, but there may be many intermediate deals.

Here mention might be made of the Settlement Department, a development conducted on the principles of the Bankers' Clearing House. Every account the stocks

which are most actively dealt in are included in the operations of this department.

On the evening of the Contango Day each member sends in a list of the stocks open with other members on forms supplied by the department. The names of those from whom stock has to be received are entered on the left hand side, and those to whom stock has to be delivered on the right, a separate list being required for each stock. When these lists are received by the department, they trace the shares from the ultimate buyer back to the original seller, eliminating the intermediate transactions, and on the ticket day names for the balance of shares open are passed to or received from the department.

I have referred only to the settlement in registered stocks. The settlement of bearer stocks is less complicated and more easily completed.

This is but a bare outline of the activities of the Settlement Department, but you will appreciate that it is the means of saving an immense amount of work and trouble to members, and greatly facilitates the settlement of the account. It is this department of the house to which I refer later as doing such excellent work in regard to unravelling the complications of the Hatry dealings.

I must say something about the government of the Stock Exchange which is in the hands of two bodies, the managers and the committee, which you have frequently seen referred to as the dual control. To enable you the more easily to realise what this means I would liken it to a club which is the property of a company, and which is managed by a body of directors and a secretary in the same way as any other company, whilst the members are ruled by a committee elected by the club, who make the rules and look after the interests of the members.

The Stock Exchange is owned by a company regulated by a deed of settlement in place of the ordinary Articles of Association. The directors, of whom there are nine, are called "managers." They collect all the revenue and control the expenditure, and it is their business to earn dividends for the shareholders. Although they, like other controlling bodies, are not immune from criticism, they do a great deal of very valuable work gratuitously and ungrudgingly.

The Committee for General Purposes, whom I have described as fulfilling the function of a club committee, are thirty in number, and are elected annually on March 25th. They make rules, fix commissions, settle disputes, and deal with the multitude of matters which require attention in the proceedings of an institution of such world-wide importance as the Stock Exchange. The members have usually been fortunate in their chairman, and are extremely well served by the present occupant of the post.

The so-called Dual Control is theoretically unsatisfactory, inasmuch as it is the duty of the managers to earn dividends for the shareholders, whilst the committee are expected to improve the position of the members. As a matter of practice there is very little real divergence of thought or intention between the two bodies. The committee have no funds and have to apply to the managers for every sixpence they require, but the relations between the two bodies are cordial and sympathetic. Attempts have been made from time to time to abolish what must always be a somewhat anomalous position, but the difficulties are great and the desirability is only realised when some special difficulty presents itself, so the anomaly will probably continue until all members become shareholders, a position which is constantly becoming nearer, because all new members have to own shares.

The Stock Exchange is always looked upon as something of a mystery, owing no doubt to the fact that the public is

not admitted to its sacred precincts. The cloak of privacy in which the body envelopes itself has, however, been partly shed of recent years, as the committee has under the present and the previous chairman, to whom the innovation is due, given a series of dinners at which many public men have assisted, including H.R.H. the Prince of Wales on two occasions, and other members of the Royal Family, several Chancellors of the Exchequer and other Cabinet Ministers, the Lord Mayor and Sheriffs, and many bankers, lawyers and others. These dinners, which are private functions, the speeches at which are not reported, have been most successful, and have undoubtedly helped to create a more friendly feeling towards the Stock Exchange.

During the War it became necessary before dealing in the shares of a new company to obtain the permission of the committee. Previously members could deal in the shares of any company and the committee would fix a special settling day. In some cases no settlement was ever applied for and bargains were done for what was called the "coming out," that is to say, the time when certificates of ownership were ready for issue.

The committee has wisely retained the rule established during the War, and it has ever since been necessary, before dealing in any new issue, to obtain the consent of the committee. During the recent activity in markets the public appetite for new issues became so great that opportunity was taken to launch many enterprises which had but a short-lived career, and many of which are already in liquidation, or at all events, in hopeless difficulties. The Stock Exchange has been widely criticised for giving permission to deal in shares which have afterwards become worthless or of little value on the ground that they ought to satisfy themselves of the soundness of the business before giving permission to deal. That is a position which the Stock Exchange would never consent to occupy, and ought not to be asked to occupy. The committee have not the facilities for making the investigations which would be necessary. If it could be done it would act as a clog on business, and could after all only be one opinion as opposed to others.

Over fifty years ago a Royal Commission was appointed to inquire into the constitution and customs of the Stock Exchange, and the investigations which the Stock Exchange then made before securities were admitted to quotation in the Official List were referred to at some length in their report. The Royal Commission came to the conclusion that the investigations of the committee went too far, with the result that inclusion in the Official List gave to the security in the minds of the public a stamp of soundness, stability and genuineness to which it was not entitled. The Commission was of the opinion that the Stock Exchange should confine its investigations to mere formalities. The Commission admitted that the committee's investigations had in many instances been the means of detecting fraud, but they thought that, whilst it was the duty of the committee to see that the security was fit to be dealt in and quoted, it was not its duty to give it the stamp of being a desirable investment. The Commission said that any inquiry into the soundness and stability of a stock should be undertaken by some public functionary and enforced by law.

Incidentally it is interesting to recall the findings of the Royal Commission on several other matters.

The Commission approved of the custom that members should regard each other as principals quite apart from engagements with outsiders.

They disapproved of the suggestion to abolish the jobber and found that his existence was of supreme value to the public.

They exonerated the Stock Exchange from the charge that it encouraged gambling. In fact the Commission was an entire vindication of the Stock Exchange, and recommended that it should be incorporated by Royal Charter, and should have the right to license all stockbrokers.

The Stock Exchange has never been inclined to adopt their recommendation, being satisfied with its present position.

Now I should like to say a few words about what is generally known as the Hatry crisis, and the way the Stock Exchange dealt with it. On September 19th, 1929, the Chairman of the Stock Exchange was summoned to the Bank of England to meet some of the Treasury officials and the chairmen and other officials of the leading Joint Stock Banks. At this meeting it was stated that Hatry and his associates had confessed to having over-issued and duplicated certain securities, and had offered to surrender themselves to the authorities; and as a matter of fact, they were shortly afterwards taken into custody.

The Chairman of the Stock Exchange called a special meeting of the committee at 11 o'clock the next morning, when, in order to avoid any more innocent parties being involved, it was decided to postpone dealings in all the Hatry securities. Deputations from the country Exchanges waited upon the committee requesting that the settlement in the Hatry stocks should be postponed, as it was stated that the buying and selling came largely from the same source.

With a view to ascertaining the accuracy of this statement the committee ordered the Settlement Department of the Stock Exchange to undertake the settlement of all the Hatry stocks, and appointed a special sub-committee to examine the returns made by the members to the Settlement Department, the brokers being required to supply the sub-committee with the names of the clients with whom they dealt. The returns submitted by the Settlement Department showed that about 1,750,000 shares, involving about £1,000,000 would have to be taken up and delivered; and that about three-fourths of these bargains were on behalf of the Hatry group.

The sub-committee endeavoured to isolate the Hatry transactions with a view to postponing the settlement of these bargains, and to leave the general public bargains to be settled in the ordinary way, but it soon became evident that the time at their disposal made it absolutely impossible to separate the transactions. Evidence of the over-issue and duplication was constantly reaching the sub-committee, and action had to be taken immediately.

If the settlement had been allowed to go through, the purchasers would have run a grave risk of having to take delivery of shares the genuineness of which was doubtful. In addition, the Hatry group would have received the proceeds of the sales, whereas brokers who had bought for the same group would not have been able to obtain payment. In other words, the public would have paid good money for bad shares, or would have delivered good shares and have been unable to obtain payment. Under these circumstances the committee had no hesitation in adopting the unusual course of postponing the settlement until October 24th, when it was hoped that the position would be sufficiently clear to allow the settlement to proceed.

On October 8th the settlement was further postponed indefinitely.

The time at my disposal will not allow me to enter into all the details of the manner in which this colossal fraud was carried on, but the various devices adopted were, when analysed, more or less simple in character, and their temporary success was largely due to sheer audacity.

No allegation was made of fraud or misrepresentation among members, so that the suggestion frequently made for the cancellation of bargains was quite impossible. But as the Stock Exchange had been the victim of conspiracy and fraud it was thought that some effort should be made to evolve a scheme by which the loss should be shared among the parties.

An unofficial committee was formed, which after many long and arduous sittings propounded a scheme which was ultimately adopted and which through generous voluntary payments among the members who had not been interested in the dealings in the Hatry stocks, facilitated the settlement.

At the end of January, 1930, the committee, having been informed that all the Hatry Companies were in a position to certify and register transfers, the postponed settlement was fixed for February 13th, and went through without a hitch.

For this result I may be permitted to say that great credit is due to the Committee of the Stock Exchange, to the Settlement Department, and particularly to those whom I may call the unofficial committee, who worked so laboriously and so successfully to bring about the desired result.

I have dealt at some length with the Hatry business because there still seems to be a misapprehension in some quarters as to the action of the Committee of the Stock Exchange. Only quite recently a statement was made at a discussion on the subject at one of the meetings of the London and District Students' Society to the effect that "on grounds of expediency the settlement arrived at by the Stock Exchange, *with all its unfairness*, was for the time being a good way out." The same speaker also said, "Personally, I believe that the Stock Exchange saved its skin over the Hatry settlement at the expense of the private investor."

These statements are, in my judgment quite unjustifiable and create an entirely erroneous impression of what happened. The postponement of the settlement was, as you will have gathered from what I have said, undoubtedly in the public interest, as at that time no one could tell which shares were good and which were bad.

The ultimate result was that every member of the public who bought shares had good shares delivered to him, and everyone who sold shares received payment in full.

I find that I have no time to deal with the Stock Exchange at the outbreak of the Great War and during the War period, but time passes so quickly that the matter is probably now of historic rather than of present interest, and I shall therefore bring my somewhat rambling remarks to a conclusion.

There are many matters which would be capable of elaboration if time permitted, such as the interest of the House in sport, and the number of first-class performers in the various fields of sport which it has produced; the Stock Exchange Dramatic Society, which is responsible for some very excellent acting and the assistance thereby of many charities; the loyalty of the members and their clerks, 8,000 of whom stood on the floor of the House on Armistice Day to sing the National Anthem, led by their excellent Male Voice Choir—a stirring scene which time will never efface from one's memory; and various other activities which might be referred to.

All I will say in conclusion is that the Stock Exchange never stood higher than it does to-day. Its relations with the Bank of England during and after the War were commemorated in the presentation of an old gold rose-water dish of priceless value which bears the inscription: "The Governor and Company of the Bank of England

to The Chairman and Committee of the Stock Exchange in recollection of close and friendly co-operation during and after the War, 1914-1922."

It only remains for me to say that I believe the reputation of the Stock Exchange will be found to justify the motto on its coat of arms, "Dictum meum pactum" ("My word is my bond").

A vote of thanks to the Lecturer, proposed by the CHAIRMAN, and seconded by Mr. SHARPE, was unanimously accorded.

Society of Incorporated Accountants and Auditors.

MEMBERSHIP.

The following additions to, and promotions in, the Membership of the Society have been completed since our last issue:—

ASSOCIATES TO FELLOWS.

HANDS, KENNETH CHARLES MYBURGH (Hands & Shore), 106, St. George's Street, Cape Town, Practising Accountant.

MOORE, FREDERICK GUSTAVE LUNDBERG (Harper Smiths), London & Provincial Bank Chambers, Norwich, Practising Accountant.

SHANKLAND, CUTHBERT HAMILTON (Alfred Shankland and Son), 9, Queen Street, Cardiff, Practising Accountant.

SMITH, HAROLD ERNEST (Harper Smiths), London and Provincial Bank Chambers, Norwich, Practising Accountant.

SMITH, HENRY (Fred A. Fitton & Co.), British Dominions House, 30, Cross Street, Manchester, Practising Accountant.

ASSOCIATES.

BLACKBURN, ALBERT, Clerk to Walter Hunter, Bartlett, Thomas & Co., 24, Bridge Street, Newport, Mon.

BURDEN, EWART WILLIAM, Clerk to Arthur Daniels, Bank House, 63, Osborne Road, Southsea.

HILLIER, JOHN, Clerk to H. J. Cox & Co., Cardiff Chambers, 4, Cardiff Road, Luton.

KUMANA, BHIKAJI EDULJI, B.Com., Clerk to S. B. Billimoria & Co., 113, Esplanade Road, Bombay.

MARSHALL, FRANCIS LEO, Clerk to Bobart, Baskett & Co., Gresham College, Basinghall Street, London, E.C.2.

NAVDER, DARABSHA NUSSEERWANJI, B.Com., formerly Clerk to Navroz A. Davar & Co., 235, Hornby Road, Fort, Bombay.

NELSON, GEOFFREY SHEARD, Clerk to W. L. Hickes, 6, Jewry Street, London, E.C.3.

RIVETT, FRANK HAROLD, Clerk to Martin & Acock, 69, London Street, Norwich.

ROBSON, ROY PATERSON, Clerk to Fredk. & C. S. Holliday, Pearl Chambers, East Parade, Leeds.

RUSSELL, WILLIAM GEORGE AINGE, Clerk to Newman, Biggs & Co., 133, Edmund Street, Birmingham.

SAMBAMURTI, MELAKKAVERI NATESA IYER, B.A., formerly Clerk to M. K. Dandeker, 8, Sankuram Chetty Street, Madras.

SMITH, THOMAS WILLIAM EWART, Clerk to S. S. Sara (J. W. B. Brown, Sara & Co.), Prudential Buildings, Corporation Street, Birmingham.

SUNDARARAJAM, MANDYAM VEERAMDI, B.A., formerly Clerk to K. S. Aiyar (K. S. Aiyar & Co.), 65, Apollo Street, Bombay.

WATKINS, GEORGE ERNEST, City Treasurer's Office, Exchange Buildings, Cheapside, Nottingham.

YUSUFUDDIN, MOHAMED, B.A., formerly Clerk to Damania Panday & Bajan, Petit Buildings, 359, Hornby Road, Fort, Bombay.

LECTURES AND TRANSACTIONS OF THE

Incorporated Accountants' Students' Society of London, 1929-30.

The editors of these "Transactions" propose to make a variation in the contents of future volumes by including the lectures given during the Autumn session of one year and the Spring session of the succeeding year, instead of one calendar year as hitherto. Under this arrangement publication will follow the date of delivery of the lectures with as little delay as possible. The present transition volume contains the lectures of the Spring and Autumn sessions, 1929, and also those of the Spring session, 1930.

The Editors draw special attention to the fact that in the programme of the Society and in the publication of "Transactions" the Committee aim at some definite contribution to professional education. The lectures are not given solely with a view to examination studies, but as a stimulus to independent thought on topical subjects. It is a fundamental purpose of the Students' Society to foster an intelligent appreciation and interpretation of current events relative to the work of the accountancy profession. It is interesting to note that these expressed views of the Committee appear to coincide with the unspoken views of the Society's examiners. The questions which have been set on accountancy subjects during recent years bear evidence of having been drafted not merely for the purpose of extracting from the candidate a reproduction of information contained within the covers of a particular text book but rather to ascertain and measure the accounting intelligence of the candidates and their ability to apply the knowledge which they have acquired to the circumstances of actual professional and business life.

The volume under review contains many lectures of outstanding merit, and the various authors speak with authority on a variety of subjects. Mr. A. W. Kiddy, City Editor of the *Morning Post*, is responsible for a lecture on "The National Balance Sheet," in which he discusses the national revenue and expenditure from the point of view of an investigating accountant. He brings the same faculty of criticism to bear on national figures as might be brought in discussing the accounts of a business. Mr. Kiddy's examination is naturally directed chiefly to items of expenditure, and he does not hesitate to point out the ultimate effects of the continuously increasing demands upon the direct and indirect tax payers of the country. He evidently thinks that the chief point of encouragement lies in the recognition of the magnitude of the task. Just as in the late War, it was not until we realised the possibility of being beaten that we put forth our supreme effort, so it may be that having once recognised the importance to the country of the war against extravagant expenditure the nation may be tempted to tackle the problem with some chance of ultimate victory.

"The Changing Gold Standard" is the title of an address by Mr. O. R. Hobson, Editor-in-Chief of the *Financial News*. This topic is one which assumes increasing importance every year. After reviewing the circumstances of the Great War which led to the disappearance of gold coinage as ordinary currency, Mr. Hobson deals with Price Stabilisation and the failure of co-operation between the Central Banks of the world. He frankly criticises the part played by the Bank of France during the past year or two. In the ensuing discussion Mr. Arthur Michael Samuel, M.P., at the

special request of the Chairman, Sir James Martin, contributes some very illuminating remarks without endorsing all the views put forward by the Lecturer. Another lecture, bearing on a different phase of the currency question, is that on "Central Banking and Trade Progress" by Mr. A. S. Wade, City Editor of the *Evening Standard*. The points to which Mr. Wade directs particular attention are (1) That central banking policy is a major factor in the trade of the country; (2) that every important act of central bank policy is either a help or a hindrance to trade; and (3) that we have not yet attempted properly to measure the importance to trade of monetary policy.

A contribution of special interest to students and practitioners alike is that on "Income Tax: Back Duty Cases," by Mr. Ronald Staples. These cases are classified by Mr. Staples as (a) those arising out of investigation by the Inspector, (b) those arising from information given by outsiders, anonymous letters and so on, and (c) those arising out of the admission of the taxpayer himself, and valuable information and advice are given to the practising accountant when dealing with cases under these respective sections. Mr. Staples draws attention to the important part which Excess Profits Duty played in bringing many of these cases to light, although that complication is not met so frequently now that the legislature has decided that the Authorities cannot make Excess Profits Duty assessments unless there is fraud or wilful default.

"Statistical Administration of Industry," "Graphic Methods in Business," and "The Future of the Accountancy Profession" are amongst the many other contributions which space will not permit us to refer to in detail. Throughout the book a full report is given of the discussion which follows each lecture, and the editors have evidently taken considerable pains to make the work useful both for reference and for general reading, and to this end they have compiled an excellent index. Copies of the volume are given free of charge to all the members of the Incorporated Accountants' Students' Society of London, and the price to other persons is 3s. 6d., post free 4s. It is doubtful if such a fund of authoritative information is to be found in any other work at the same price.

Depreciation Rates and Income Tax.

The following addition has been made to the list of agreed normal rates of depreciation for income tax purposes:—

BRASSFOUNDERS EMPLOYERS' ASSOCIATION.

As a result of representations which have been made to them on behalf of the Brassfounders Employers' Association, the Board have agreed, subject to the approval of the Commissioners, to allowances being granted on the following basis in respect of wear and tear of plant and machinery employed in brass foundries:—

Engines, boilers and shafting	5 per cent.
Electric motors, dynamos and other electrical plant	7½ "
Other plant and machinery	7 "

The arrangement is to have effect for the year 1929-30 and subsequent years, and is to apply to all members of the above-named association.

MOTOR OMNIBUSES.

Reconsideration of the rate of wear and tear allowance for motor omnibuses is now taking place, and pending a decision the Board have authorised, subject to the concurrence of the Commissioners, a continuation of the rate of 20 per cent. for the year 1930-31.

Incorporated Accountants' Benevolent Fund

The President and Trustees gratefully acknowledge the receipt up to January 23rd of the following special Donations and Life Subscriptions in response to the President's Appeal to the members of the Society:—

Mr. J. A. Atkinson, £5 5s.; Mr. Thomas Bell, £5 5s.; Mr. R. M. Branson, £10 10s. and £1 1s.; Mr. E. L. Burton, £5 5s.; Mr. C. G. Clark, £5 5s. and £1 1s.; Mr. T. H. Clarke, £2 2s.; Mr. J. W. Daffarn, £5 5s.; Messrs. S. J. Dudbridge & Sons, £3 3s.; Mr. W. H. Dunlop, £5 5s.; Mr. A. R. King Farlow, £5 5s. and £1 1s.; Mr. A. A. Garrett (Debenture Bonds), £50; Mr. J. H. E. Greehy, £2 2s.; Mr. W. Davidson Hall, £5 5s. and 10s. 6d.; Messrs. Holman, Foxcroft & Jackson, £3 3s.; Mr. E. Furnival Jones, £5 and £1 1s.; Messrs. J. Durie Kerr, Watson & Co., £2 2s.; Messrs. Lomax, Clements, Sons and Beddall, £5 5s.; Mr. R. E. Loveday, £5 5s.; Sir James Martin, £21 and £2 2s.; Mr. J. R. Maskell, £5 5s. and £1 1s.; Mr. J. L. Milne, £2 2s.; Mr. R. Moreland, £5 5s.; Messrs. Morgan Bros. & Co., £5 5s.; Mr. H. H. W. Perkins, £5 5s.; Mr. A. E. Picot, £3 3s.; Mr. L. H. F. Pinhorn, £5 5s.; Mr. A. E. Pollard, £2 2s.; Messrs. Sherlock & Daniell, £2 2s.; Miss M. Harris Smith, £2 2s.; Mr. A. T. Thorne, £5 5s.; Mr. F. Walmsley, £2 2s.; Mr. W. McIntosh Whyte, £10 10s. and £1 1s.; Mr. E. W. C. Whittaker, £5 5s.; Mr. E. Woodley, £5 5s.; Messrs. Alex. Wright, Fairbrother & Steel, £2 2s. *Per Incorporated Accountants' Lodge of Freemasons:* Mr. H. A. R. J. Wilson, 10s. 6d.; Mr. M. J. Faulks, £1 1s.; Mr. Henry J. Burgess, £2 2s.; Mr. Thomas Keens for Mrs. Keens, J.P., £5 5s.; Mr. Richard A. Witty, £5 5s.; Mr. F. C. Baker, £1 1s.; Mr. A. V. Huson, £1 1s.; Mr. F. J. Nash, £1 1s.; Mr. C. A. Sales, £1 1s.; Mr. W. A. Pearman, £5 5s.; Mr. E. J. P. Garratt, for Mrs. Garratt, £5 5s.; Mr. A. A. Garrett, £2 2s.; Mr. W. H. Payne, £5 5s.; Mr. W. Holman for Mrs. Holman, £2 2s.; Mr. E. W. Longhurst, £2 2s.; Mr. C. A. Holliday, £1 1s.; Mr. E. G. Bourne, £5 5s.; Mr. H. E. Colesworthy, £5 5s.; Mr. J. Hulbert Grove, £2 2s.; Mr. J. C. Fay for Mrs. Fay, £5 5s.; Mr. W. C. Chaffey, £5 5s.; Mr. F. E. Clements, £1 1s.; Mr. M. Widdowson, £1 1s.; Mr. H. W. Petherick, £1 1s.; Mr. W. J. Crafter, £1 1s.; Mr. H. T. Gore Gardiner, £1 1s.; Mr. A. S. Darr, £1 1s.; Mr. D. F. Goode, £1 1s.; Mr. W. J. Hawke, 10s. 6d.; Incorporated Accountants' Lodge, £10 10s.; Incorporated Accountants' Lodge of Instruction, £5 5s. Ordinary Donations and Subscriptions from Members for January amount to over £420. Further contributions will be much appreciated.

At a meeting held at Incorporated Accountants' Hall on January 27th, Mr. Henry J. Burgess, C.C., was unanimously elected Chairman of the Trustees.

New System of Settling Accounts through Banks.

At a meeting of the Council of the London Chamber of Commerce on consideration of a report from the Parliamentary and Commercial Law Committee, the Council decided to express no opinion on this scheme, as, in their view, it was one which individual firms should decide for themselves whether to adopt or not. It was, however, agreed to bring to the notice of the Bankers' Clearing House a suggestion that in those cases where firms had decided to use the system, some qualifying words, e.g., "such payments or acceptances shall be without prejudice to the rights of the principals," should be added to the form of authorisation in use between buyer and seller, in order to avoid any possible legal difficulties which might arise in connection with disputed accounts.

PUBLIC AUDITORS

Under the Friendly and Industrial and Provident Societies Acts.

THE Lords Commissioners of His Majesty's Treasury have been pleased to appoint the following Incorporated Accountants to act as Public Auditors for Great Britain for the year ending December 31st, 1931, under the provisions of the Friendly Societies Act, 1896 (59 & 60 Vict., cap. 25), and the Industrial and Provident Societies Acts, 1893 to 1913 (56 & 57 Vict., cap. 39, and 3 & 4 Geo. V, cap. 31), viz:—

Acock, R. G., 69, London Street, Norwich; Wayland Hall, Watton, Norfolk.
 Alban, F. J., Central Chambers, Newport, Mon.
 Alexander, J. H., City Chambers, East Parade, Leeds; 12, Gladstone Street, Cross Keys; York House, Blackwood (Mon.); Market Buildings, Ebbw Vale.
 Alexander, N., British Columbia House, 1, Regent Street, Waterloo Place, London, S.W.1.
 Allen, H. J., 37, Surrey Street, Sheffield.
 Amsdon, E. V., 22, Walbrook, London, E.C.4; 2, Premier Parade, Edgware; 22, High Street, Hitchin; 18, High Street, Beckenham.
 Andrews, E., 12, Abbey Square, Chester.
 Antoine, B. W., 2A, The Mall, Ealing, London, W.5.
 Armson, G. A., Bank House, 95, High Street, Lewisham, London, S.E.13.
 Armstrong, J., 22, Station Road, Workington.
 Armstrong, J. W., Northern Assurance Buildings, 2, Collingwood Street, Newcastle-on-Tyne.
 Arnold, C., 27, Bodfor Street, Rhyl; 1, Record Street, Ruthin, Denbighshire.
 Arnold, F. V., Midland Bank Chambers, North Street, Brighton; Midland Bank Chambers, Horsham; Flint House, 44, South Street, Chichester.
 Ashworth, W., 7A, Yorkshire Street, Burnley.
 Aspray, N., "Olney," Middlefield Lane, West Hagley, Worcs.
 Atkins, J. R., 76, Derby Street, Macclesfield; 54, Lawton Street, Congleton.
 Baines, J. V., Curry's Chambers, 115, High Street, Stockton-on-Tees.
 Baker, W. B., 10, Sandgate, Berwick-on-Tweed.
 Barker, A. E. S., 22, Scarbro' Street, West Hartlepool.
 Barrowcliff, C. Percy, 55 and 57, Albert Road, Middlesbrough.
 Bartlett, R. Wilson, 24, Bridge Street, Newport, Mon.
 Bausor, H., 20, Ebers Grove, Mapperley Park, Nottingham.
 Bayliss, L. M., Garlett House, Leighton Buzzard; Market Square, Buckingham.
 Bayliss, W. M., 16, Broad Street, Oxford.
 Beer, W. W., 17, Bedford Circus, Exeter; 15, Gold Street, Tiverton.
 Benbow, L., 2A, Sheep Street, Northampton.
 Benjafield, A. J., 30, Chamberlain Street, Wells, Somerset; 27, High Street, Glastonbury.
 Bennett, C. H., High Holborn House, London, W.C.1.
 Bentley, W., Wyndcliff, 33, Harpers Lane, Bolton.
 Bicker, H. J., Exchange Buildings, Upper Hinton Road, Bournemouth.
 Binns, J., Exchange Buildings, Mirfield, Yorkshire.
 Black, W. C., 147, High Street, Newport, I.O.W.; 17, King's Terrace, Southsea; 57, High Street, Ventnor, I.O.W.
 Blythen, S., O.B.E., Victoria Chambers, Long Eaton.
 Bowen, G. Brinley, 22, Wind Street, Swansea.
 Braddy, C. W., 107A, High Street, Winchester.
 Bradley, E. R., 584, Christchurch Road, Boscombe.
 Branson, R. M., Allen House, Newarke Street, Leicester.
 Brazier, A. G., 15, Woodstock Road, Croydon.
 Brewer, A. H., 3, Wood Street, Queen Square, Bath.

- Broadbent, J. W., 34, Kensington Road, Oldham.
 Brodie, J. Paterson, Moor House, Moorland Road, Burslem; 1, Hoghton Street, Southport.
 Brodie, R. M., 29, Scale Lane, Hull.
 Bromfield, J. H., 130, Powke Lane, Blackheath (Birmingham), Staffs.
 Bromley, J. W., Soothill Lane, Batley.
 Brown, E. T., Gresham Chambers, Lichfield Street, Wolverhampton; Barclays Bank Chambers, Bilston.
 Bryant, A. C., Peloquin Chambers, 18, St. Augustine's Parade, Bristol.
 Buckle, C. D., 13, Cheapside, Bradford.
 Buckley, A. N., Union Chambers, 45 and 47, Commercial Street, Halifax.
 Bull, E., Bank Chambers, Devizes; Market Place, Warminster.
 Burgess, G. W., 14, St. Mary Axe, Leadenhall Street, London, E.C.3.
 Burlinson, W. D., Union Bank Chambers, Batley.
 Bush, B., 18, Eldon Square, Newcastle-on-Tyne.
 Butler, J., 66, Albion Street, Leeds.
 Carr, E. R., Stamford Bank Chambers, 10, Gallowtree Gate, Leicester; Savings Bank Chambers, Nottingham Street, Melton Mowbray.
 Carr, W., 27, Regent Street, Barnsley.
 Cattell, W. C., Bank Chambers, High Street, Kettering; Argus Chambers, High Street, Rushden.
 Cessford, J. C., 23, Albany Street, Edinburgh.
 Chadwick, A., 16, Bolton Street, Bury, Lancs.; 8, Garden Street, Ramsbottom, Lancs.
 Charles, W. H., 3, Greenfield Villas, Llanely.
 Claridge, C. E., 53, Well Street, Bradford.
 Clark, W., County Bank Chambers, Bradshawgate, Leigh, Lancs.
 Clarke, F. N., 4, Pavilion Buildings, Brighton; 2, North Street, Horsham.
 Clarke, S. W., 31, Castle Hill, Lancaster; 51, Hoghton Street, Southport.
 Clarkson, J. P., 16, Devonshire Square, Bishopsgate Street, London, E.C.2.
 Clarkson, P. D. J., 14, Winckley Square, Preston; Kent's Bank Road, Grange-over-Sands, Lancs.
 Clayton, W., Milton Chambers, Milton Street, Nottingham.
 Clinch, S. H., M.B.E., 119, Moorgate, London, E.C.2; Hurdis House, Broad Street, Seaford, Sussex.
 Clutterbuck, S. E., M.B.E., 31, Queen Street, Cardiff; Midland Bank Chambers, Pentre, Glam.
 Coates, F. W., 10, Albert Road, Middlesbrough; The Crescent, Redcar.
 Condie, J., 3, East Port, Dunfermline; 1A, Candleriggs, Alloa.
 Cooper, D., Old Colony House, South King Street, Manchester.
 Costello, J. E., 90, Cannon Street, London, E.C.4.
 Cox, H. J., Cardiff Chambers, 4, Cardiff Road, Luton.
 Crompton, W., 380-6, and 351-3, Produce Exchange, Hanging Ditch, Manchester.
 Crowe, S. E., 1, Albion Street, Leeds; Barclays Bank Chambers, Yeading.
 Crowther, E., 10, Regent Street, Barnsley.
 Cryer, M. P., Old Bank Chambers, Keighley.
 Cunliffe, A. R., Station Buildings, 24, Railway Street, Nelson.
 Daffern, T. W., O.B.E., 19-20, High Street, Coventry.
 Davey, H., Hyland Buildings, Wood Street, Wakefield.
 Davies, T., Wyndham House, Bridgend.
 Davies, Trevor, 160, High Street, Camden Town, London, N.W.1.
 Davis, B. T., 6, New Street, Birmingham.
 Deacon, A. G., 18, St. Ann Street, Manchester.
 Dudbridge, J. S., 8, Lansdown, Stroud, Glos.
 Dudbridge, S., 8, Lansdown, Stroud, Glos.; Queen Street Chambers, Gloucester.
 Duncan, D. C. N., Barclays Bank Chambers, 55, High Street, Grantham.
 Dunlop, R. T., 45, Renfield Street, Glasgow.
 Duthie, R. Simpson, Sun Chambers, 9, Devonshire Street, Carlisle.
 Dyer, C. E., 32, Milton Park, Highgate, London, N.6; West View, 94, Woodlands Avenue, Finchley, London, N.3.
 Dyer, S. A., 5, Fenwick Street, Liverpool.
 Eaves, W., 47, Mosley Street, Manchester; County Bank Chambers, Chapel Street, Tyldesley.
 Ednie, A., 7, St. Paul's Square, Bedford.
 Edwards, A. H., 22, High East Street, Dorchester.
 Edwards, H., Cornhill Chambers, Christina Street, Swansea.
 Edwards, R. H., Bank Chambers, 26, Mosley Street, Newcastle-on-Tyne.
 Elliott, E. A., 18, Market Street, Heywood, Lancs.
 Ellworthy, J. M., 13, Sherborne Lane, King William Street, London, E.C.4.
 Evans, H. R., 17, George Street, St. Helens; Bank Chambers, Church Street, Prescott, Lancs.
 Evans, T. A., Ffrwd Offices, Mountain Ash.
 Evershed, A. E., 51, High Street, Guildford; 1A, High Street, Camberley.
 Fearnhead, J., 20 and 22, High Street, Chorley, Lancs.
 Feek, A. J., High Street, Pershore, Worcester.
 Feist, H. J. B., Oriol Buildings, Rectory Grove, Leigh-on-Sea.
 Ferneyhough, M. P., 6, Commerce Street, Longton, Staffs.; 23, Market Street, Hednesford, Staffs.
 Ferry, G. A., Prudential Chambers, 6-8, Bank Street, Carlisle.
 Flawn, S. J., 35, Hamilton Crescent, Palmers Green, London, N.13.
 Ford, W. J., 28, Baldwin Street, Bristol.
 Fortune, G. W., 26, Forrest Road, Edinburgh.
 Foster, S. E., 29, Bank Street, Ashford, Kent.
 Fox, F. W., 14, King Street, Leicester.
 Freeborough, J. H., 25, Figtree Lane, Sheffield.
 Friend, A. H., 15, Alexandra Place, Newbridge, Mon.
 Fry, F. W., Clement's House, Clements Lane, London, E.C.4.
 Funnell, F. C., 104, Great Russell Street, London, W.C.1.
 Gair, R., Emerson Chambers, Blackett Street, Newcastle-on-Tyne.
 Gait, A., 1, The Foundry Bridge, Abertillery.
 Gardiner, F. C., Barclay's Bank Chambers, Scarborough.
 Gardiner, H. T. Gore, 62, Cawley Road, London, E.9.
 Gerrard, R., 71 and 73, Lee Lane, Horwich, Lancs.
 Gill, F., Bank of Liverpool Chambers, Bradford.
 Girling, A. F. J., Eldon Buildings, 20, Eldon Street, Barnsley.
 Goulding, E. S., O.B.E., 19, Sweeting Street, Liverpool.
 Gowen, H. P., 7, Queen Street, Norwich; The Square, Fakenham, Norfolk; 13, Market Place, East Dereham.
 Grassam, J., 32, Alliance Avenue, Anlaby Road, Hull.
 Greenhalgh, T., Clifton Chambers, 23A, Clifton Street, Blackpool; William Deacons Bank Chambers, St. Annes-on-Sea.
 Greenwood, A., 20, Bond Street, Dewsbury.
 Griffin, C. E. B., Bank Chambers, 8, Church Street, St. Helens.
 Griffin, G. R., Newton Chambers, 43, Cannon Street, Birmingham.
 Griffith, F., Westmorland Chambers, Kendal.
 Griffith, R. O., 44, Cannon Street, Preston; 40, Poulton Street, Kirkham.
 Griffiths, J. P., 10, Clarence Place, Docks, Cardiff.
 Grimwood, Lt.-Col. J., C.B., D.S.O., O.B.E., St. Stephen's House, 2, Coleman Street, London, E.C.2.
 Groves, T. J., 14, Scarbro' Street, West Hartlepool.
 Hackett, P. R., 36, Cannon Street, Birmingham.
 Hallett, A., Studio Buildings, Regent Street, Wrexham, Denbigh; Lloyd's Bank Chambers, Ellesmere, Salop.
 Hanson, F. W., Court Chambers, Jessop Street, Castleford, Yorks; High Street, Kippax.
 Hargreaves, F., Bow Chambers, 55, Cross Street, Manchester.
 Harlow, E., Grosvenor Chambers, 23, King Street, Nottingham.
 Harper, F. C., 3-4, Clement's Inn, London, W.C.2.
 Harris, H., 2 and 4, East Circus Street, Park Row, Nottingham.

- Harrison, C. D., Messrs. John Potter & Harrison, 22, Birley Street, Blackpool; Messrs. John Potter and Harrison, 28, The Square, St. Annes-on-Sea.
- Harrison, E., 29, Rothwell Road, Gosforth, Newcastle-on-Tyne.
- Harrison, H. C., 94, High Street, Stourbridge.
- Hayden, G. D., Market Place, Holt, Norfolk.
- Hayes, P. R., 57A, Hope Street, Wrexham; Compton House, Corwen, Merioneth.
- Hayhow, G. S., Purdy's Court, 84A, High Street, King's Lynn.
- Heatley, R., Temple Chambers, 33, Brazennose Street, Manchester.
- Heckels, R. D., 65, Coleraine Road, Blackheath, London, S.E.3.
- Henderson, A., 62, Cross Street, Fraserburgh.
- Henshall, J., 29, Eastgate Row North, Chester.
- Hepburn, A. E., Abford House, Wilton Road, Victoria Station, London, S.W.1.
- Hill, A. H., 257, Wells Road, Knowle, Bristol.
- Hill, E. E., 26, High Street, Cardiff.
- Hirst, G. L., 8, Bond Street, Dewsbury.
- Hirst, J. W. A., 28, Queen Street, Albert Square, Manchester.
- Hobbs, A. M., 64, Great Portland Street, London, W.1.
- Hodge, H., National Provincial Chambers, High Street, Kettering.
- Hodgson, R. T., 90, High Street, Stockton-on-Tees.
- Hollows, R., 33A, King Street, Wigan.
- Holman, W. J., 11, Queen Victoria Street, London, E.C.4.
- Holmes, H., Ropergate End, Pontefract.
- Holmes, J. T. L., Woodland Chambers, Colwyn Bay.
- Homersham, Miss M. M., 106, St. Clement's House, Clements Lane, London, E.C.4; 5, Thoroughfare, Woodbridge, Suffolk.
- Horsfield, A., Silver Street Chambers, Bury.
- Hort, J. H., 202, Stanley Road, Bootle.
- Hubbard, F. L., 41, Havelock Road, Hastings; Endwell Chambers, Endwell Road, Bexhill-on-Sea.
- Hudson, T., 58, Well Street, Bradford.
- Hustwick, W., 70, Kirkgate, Bradford.
- Hutcheson, G. W., 44, Biddulph Mansions, London, W.9.
- Ingram, A. J., 32, West Sunniside, Sunderland.
- Jack, W. Harris, 38, Bath Street, Glasgow.
- James, H. M., Turnbills' Chambers, 14, High Street, Coventry.
- Jenkins, W. R. L., Market Street, Pontypool, Mon.
- Jennings, F., Borough Chambers, Neath.
- Jessap, C. T., M.B.E., Barlow Chambers, Lumley Road, Skegness.
- Johnson, A. J., 35, Southgate Street, Winchester.
- Johnson, E. W., Arcade Chambers, Wigan.
- Johnson, S., 7, Lower Temple Street, Birmingham.
- Johnstone, W., 13, Church Street, Kiddeminster.
- Jones, E. Furnival, 4, Fenchurch Avenue, London, E.C.3.
- Jones, H. B., 5, Philpot Lane, London, E.C.3; 102, Queen Street, Maidenhead.
- Judge, W. A., High Street, Skipton.
- Keens, A. T., 45, High Street, Aylesbury, Bucks.
- Keens, Thomas, 11, George Street West, Luton; Greenhill Chambers, Harrow-on-the-Hill, Middx.; High Street, Stony Stratford, Bucks.; 60A, High Street, Newport Pagnell, Bucks.; 15, Market Square, Buckingham; 3, Bancroft, Hitchin.
- Kenyon, F. T., Midland Bank Chambers, Penrith; Main Street, Keswick.
- Kettridge, C. L., 1, London Wall Buildings, London, E.C.2.
- Keys, C., Athenaeum Chambers, 71, Temple Row, Birmingham; 321, High Street, West Bromwich.
- Kilby, F., Drury Chambers, Market Square, Northampton.
- King, G. C., 110, Edmund Street, Birmingham.
- Kneale, H. E., St. George's Chambers, Douglas, Isle of Man; Victoria Chambers, Parliament Street, Ramsey, Isle of Man.
- Lake, J., Gower Chambers, Swansea.
- Lambert, W. E., Essex House, High Street, Stratford, London, E.15.
- Lapish, J. B., Pearl Chambers, East Parade, Leeds.
- Larder, C., Camomile Street Chambers, Bishopsgate, London, E.C.3.
- Larking, C. G., Invicta Chambers, Pudding Lane, Maidstone; 23, Railway Street, Chatham.
- Larking, R. C., Commercial Chambers, Orford Place, Norwich.
- Lashmore, C. S., 2, Church Street, Cardiff.
- Law, E. I. (A. & E. Law & Co.), Kingscourt, Bridge Street, Walsall.
- Lawson, G. R., Palmerston Buildings, 5, Manor Row, Bradford.
- Laycock, S., Barclays Bank Chambers, North Street, Keighley.
- Leah, H. B., 9, Warren Street, Stockport.
- Lee, F., 7, Balmoral Chambers, Cloth Hall Street, Huddersfield.
- Lentell, C. I., Montpelier Chambers, Sidmouth Street, Seaton, Devon.
- Liversidge, H. G., Imperial Buildings, Rotherham.
- Lloyd, J. T., 63, Fore Street, Trowbridge.
- Lloyd, W., 19, Priory Street, Dudley, Worcs.
- Lloyd-Roberts, J., Public Audit Offices, 2, Church Street, Carnarvon; "Cemlyn," Harlech, Merioneth.
- Lock, F. J., 23, Eastbury Road, Watford.
- Lowe, J. T., 1, Finkle Street, Kendal, Westmorland.
- McCutcheon, R. T., 113, St. Vincent Street, Glasgow, C.2.
- McDonald, T. W., 98, Palmerston Road, Wood Green, London, N.22.
- Macintyre, A., Muirbrow Chambers, 118, Cadzow Street, Hamilton.
- Mahon, F., 4-5, Oriental Chambers, Doncaster.
- Mair, A. J., 5, Frederick Street, Sunderland.
- Marshall, S. W., 107A, Mortimer Street, Herne Bay, Kent; Town Hall Chambers, Westgate-on-Sea, Kent; Bouverie Road West, Folkestone; 76, High Street, Broadstairs; The Square, Birchington.
- Martin, J. W., 17, Dormer Place, Leamington Spa, Warwickshire.
- Mason, E. H., 9, Clarence Street, Cheltenham.
- Mawson, J. D., 51, Boileau Road, Ealing, London, W.5.
- Mayhew, W. O., 62, Oxford Street, London, W.1; Richmond Road, Bognor Regis.
- Merchant, H. A., 48, Uxbridge Road, Ealing, London, W.5.
- Metcalfe, S., 9, Swinnow Drive, Pudsey.
- Millman, H. T., Allen House, Newarke Street, Leicester.
- Mills, F. W. T., 6, Priory Place, Doncaster.
- Milne, R., 68, Bath Street, Glasgow.
- Miskin, A., 8, Portland Street, Southampton.
- Moffat, F., 126, High Street, Falkirk.
- Moger, J. R., Martins Bank Chambers, Cleckheaton, Yorkshire.
- Moore, C. S., 15, Bedford Circus, Exeter.
- Morgan, E. C., Crown Chambers, High Street, Newtown, Montgomery.
- Mortimer, A. G., Prudential Buildings, 189, Hoe Street, Walthamstow, London, E.17.
- Moss, F., Market Place, Ashton-under-Lyne.
- Moulton, P. A., 21, Regent Street, Barnsley.
- Moustardier, M., 69, Downs Road, Clapton, London, E.5; 50, Castle Road, Southsea.
- Mullens, G. G., 49, Station Road, Port Talbot.
- Naylor, R. O., 71, Chatsworth Road, Morecambe.
- Neill, A., Westminster Bank Chambers, 76, Kingsland High Street, London, E.8.
- Nelson, C. Hewetson, 43, Castle Street, Liverpool.
- Nicholson, J., 185, High Street, Lincoln.
- Norfolk, W. J., 8, Colne Road, Clacton-on-Sea.
- Oates, G. G., 4 and 5, Oriental Chambers, Doncaster.
- Oldfield, J. W., 5, Rose Grove, Mytholmroyd, Yorks.
- Oldfield, W., 46, Castle Street, Hincley.
- Oldman, A. S., 27, North Albert Street, Fleetwood, Lancs.
- Oxley, H., 22, Regent Street, Barnsley.
- Page, J. C., May Buildings, 51, North John Street, Liverpool.
- Palmer, A. J., 71, West Street, Fareham, Hants.
- Palmer, E. H., Bentinck Buildings, Wheeler Gate, Nottingham.

- Palmer, G., Guildhall Annexe, 23, King Street, London, E.C.2.
- Parish, L., 3, Branch Road, Batley.
- Paterson, James, 13, Hamilton Street, Greenock; 18, Castle Street, Rothesay, Bute.
- Payne, C. C., 6, Market Place, North Walsham, Norfolk; Red Lion Street, Aylsham.
- Payne, W. H., 8 and 9, Martin Lane, Cannon Street, London, E.C.4.
- Pearce, M. E. J., 102, High Street, Poole, Dorset.
- Pearson, W., 5, Godwin Street, Bradford, Yorks.
- Pellatt, A. P., 132a, High Street, Hythe, Kent; 58, Cheriton Road, Folkestone.
- Petrie, J. McR., Bank Buildings, Bacup.
- Pettitt, S. R., Lloyd's Bank Chambers, 45 and 47, Old Christchurch Road, Bournemouth.
- Peveler, R., 5, Princes Square, Harrogate; 31, Market Place, Ripon.
- Platts, T. H., 126, Colmore Row, Birmingham.
- Pocock, B. G., 90, Leith Mansions, Maida Vale, London, W.9.
- Pratt, A. J. S., 20, Pearl Buildings, Portsmouth.
- Pratt, H. W., 5, Silver Street, Wellingborough.
- Prior, F. A., Pelham House, Pelham Street, Nottingham.
- Procter, S., County Bank Chambers, 41, Burnley Road, Padiham, Lancs.
- Pugh, A. E., 19, Carlton Chambers, High Street, Newport, Mon.
- Rawlinson, E. B., Netherwood Chambers, 1A, Manor Row, Bradford.
- Rees, W. H. S., 1, Charlesville Place, Neath, S. Wales; The Docks, Milford Haven.
- Revell, H. W., Prudential Buildings, New Street, Huddersfield.
- Revell, T., Standard Buildings, City Square, Leeds.
- Reynolds, J. W., 40, Bank Street, Bradford.
- Rhodes, J., 31, Manor Row, Bradford.
- Riches, E. J., 12, Bank Street, Norwich; 33, Church Street, Cromer.
- Riddington, C. R., Crown Buildings, Loseby Lane, Leicester.
- Riley, H., St. Andrew's Chambers, 22, Park Row, Leeds; Layton Road, Rawdon, near Leeds; Tinshill Lane, Horsforth, near Leeds.
- Ritchie, P. G., 38, Bath Street, Glasgow.
- Robathan, P. E., Imperial Buildings, Mount Stuart Square, Cardiff.
- Rodger, T., 29, Grainger Street West, Newcastle-on-Tyne.
- Rogerson, C. E., 15, Mosley Street, Manchester.
- Rollinson, C. E., Westgate Chambers, Newport, Mon.
- Rowe, C. N., Kings Chambers, High Street, Bromsgrove.
- Rowland, F. S., 90, Pilgrim Street, Newcastle-on-Tyne.
- Ryland, H. C., 298, High Road, Chiswick, London, W.4.
- Scarlett, C. S., 5, Cecil Square, Margate; 36, High Street, Ramsgate.
- Schofield, A., 16 and 17, East Parade, Leeds.
- Searle, A. B., 17, High Street, Saffron Walden, Essex.
- Shaw, E. B., Imperial Chambers, 43, New Street, Huddersfield.
- Shepherd, J. W., C.B.E., 78, King Street, Manchester.
- Shepherd, W. A., 50, Tredegar Street, Risca, Mon.
- Sievwright, W. B., 3, Kinnoull Street, Perth.
- Simmonds, H. J., 1, Tremadoc Road, Clapham, London, S.W.4.
- Sinclair, G. N., Prudential Chambers, Oswestry.
- Sisling, A. E., Commercial Union Buildings, Cheapside, Nottingham.
- Slater, H., 5, St. Andrew's Street, Cambridge; Eaton House, High Street, Newmarket; High Street, St. Neots.
- Slater, J. T., 11, Queen Street, Oldham.
- Sleeman, A. W., Portland Chambers, Gower Street, Swansea.
- Smith, O. H., 64, New Road, Chippenham, Wiltshire.
- Smith, W., 56, London Road North, Lowestoft.
- Snow, W. Keller, 55, Quarry Street, Guildford; 4 and 5, Station Hill, Farnham, Surrey; 4, Carfax, Horsham, Sussex.
- Soddy, R. J., 55, Gildredge Road, Eastbourne.
- Sowerbutts, T. W., 16, St. Mary's Parsonage, Manchester.
- Sparrow, G. W., 9, Corridor Chambers, Leicester.
- Spicer, R. C., 5, Bank Plain, Norwich.
- Starkie, R. E., 6, South Parade, Leeds.
- Stembridge, P. G., Town Hall, Droitwich Spa.
- Stephens, C. T., Post Office Chambers, Pontllanfraith, Mon.
- Stephens, F. W., Liverpool House, 15-17, Eldon Street, London, E.C.2.
- Stephenson, Joseph, O.B.E., Queen Street Chambers, Peterborough; 5, Church Close, Boston; Portland Chambers, Market Place, Spalding; 22, Castlegate, Newark-on-Trent; Broadway, St. Ives, Hunts.; 17, High Street, Stamford; Victoria Hall, Llandrindod Wells; 1, Grays Lane, March; 30, High Street, Huntingdon; N.P. Bank Chambers, Ludlow; Lamb Corner, Ely; Park Street, Chatteris; 8, Wilcome Place, Knighton; Barclays Bank Chambers, 81, High Street, Scunthorpe; 11, Market Chambers, St. Neots, Hunts.; 13, Market Place, Brigg; Foresters Hall, Long Sutton; 28, St. Thomas Street, Weymouth; The Hall, Thorne; 11, Lion Street, Brecon.
- Storey, R. G., 8, Oxford Chambers, St. Stephen Street, Bristol.
- Stott, W., 54, Stuart Road, Waterloo, Liverpool.
- Sturges, H. H., 1, Guildhall Chambers, 31, Basinghall Street, London, E.C.2.
- Sunderland, W., Craven Bank Chambers, North Street, Keighley.
- Swallow, E., Bank Chambers, Market Place, Peterborough.
- Tamplin, J., Westgate Chambers, Newport, Mon.
- Tessier, A. N., 279, Borough High Street, London, S.E.1.
- Thomas, D. B., Post Office Chambers, Merthyr Tydfil; Bryn Taf Offices, Treharris, Glam.; 7, Cross Morlais Street, Dowlais, Glam.
- Thomson, J., The Crescent, 115, Drake Street, Rochdale, Lancs.
- Thomson, R. C., Meadow House, 64, Reform Street, Dundee.
- Thornley, J. C., 44, High Street, King's Lynn; High Street, Hunstanton.
- Thurgood, J., The Arcade, Mexborough.
- Townsend, H., 16, Weston Park, Crouch End, London, N.8.
- Tullett, W., Market Place, Darlington.
- Tunbridge, S. T., 6, South Quay, Great Yarmouth.
- Tyler, G. H., Central House, 75, New Street, Birmingham.
- Vizard, L., 2, Clarence Parade, Cheltenham.
- Vizard, L. N., 2, Clarence Parade, Cheltenham.
- Walker, G. H., 37, Southgate, Halifax.
- Walker, Percy H., 4, Park Place, Cardiff; The Arcade, Cowes, I.O.W.
- Walker, R. B., 1, Richmond Terrace, Blackburn.
- Walker, W., 13, East Parade, Leeds.
- Wallace, W. D., 48, Loughborough Road, Kirkcaldy.
- Walters, W. L. J., Masonic Chambers, Gillingham, Dorset; Market Square, Sturminster Newton.
- Walters, W. T., Middle Street, Yeovil.
- Walton, A., 7, Bond Place, Leeds.
- Walton, N. H., Midland Bank Chambers, Sunderland.
- Ward, A., 21, Bridge Street, Bradford.
- Wareing, J., 11, Chapel Street, Preston.
- Warmington, W. H., Overbury, Tewkesbury.
- Warren, F. J., M.B.E., 3, Victoria Place, Haverfordwest; Britannia Stores, Cardigan; Savings Bank, Main Street, Pembroke; The Docks, Milford Haven.
- Watson, A., County Buildings, 4, Cannon Street, Manchester.
- Watson, O. A., 10, Peacock Lane, Leicester.
- Watts, Miss E., 77, Chandos House, Palmer Street, Victoria Street, London, S.W.1.
- Waud, N., "Melrose House," St. Sampson's Square, York.
- Webb, E., 34, Grand Parade, Brighton.
- Wells, C. H., Independent Buildings, 21, Fargate, Sheffield.
- West, H. W., Bank House, 618, Romford Road, Manor Park, London, E.12.
- White, A. M., Erskine Chambers, 13, Grainger Street West, Newcastle-on-Tyne.

White, E. G., Bank Chambers, Lammas Street, Carmarthen.
 White, J. C., 32 and 34, High Street, Sutton, Surrey.
 White, P., 6, Sussex Terrace, Princess Square, Plymouth.
 Whiting, W. F., Bridge Buildings, Nene Quay, Wisbech;
 Market Place, March.
 Williams, E. J., Exchange Buildings, 14, Lowther Street,
 Carlisle.
 Williams, E. K., Marldon Chambers, 30, North John Street,
 Liverpool.
 Williams, G. R., 26, Windsor Place, Cardiff.
 Williamson, J. H., Market Place, Ashton-under-Lyne.
 Windle, R. S., Midland Bank Chambers, Barnoldswick.
 Witty, Richard A., 6, Dowgate Hill, Cannon Street,
 London, E.C.4.
 Wolstenholme, E. J., Crown Chambers, 36, Yorkshire
 Street, Rochdale; 40, Market Place, Middleton.
 Wood, D., M.B.E., Thorley Lodge, Timperley, Cheshire.
 Wood, H., 179, Dock Street, Newport, Mon.
 Woodhead, A. C., 15, Manor Square, Otley.
 Woolley, F., 8 and 10, Portland Terrace, Southampton;
 18, St. Thomas Street, Lymington.
 Yearsley, A., 84, Warrington Street, Ashton-under-Lyne;
 High Street, Blackwood, Mon.

Accountancy Training.

THE following is a short address delivered last month to the Cardiff and District Students' Section of the South Wales and Monmouthshire District Society of Incorporated Accountants and Auditors by

MR. IVOR DAVIES, A.S.A.A.

MR. DAVIES said: My intention is to deal with the period of training to become a qualified accountant, but the title might suggest another aspect—that of the uses to which one can put the training already received as an accountant, upon which aspect I will not dare to utter any remarks. I do not intend to enter into the pros. and cons. of accountancy as a profession, or of the question of the selection of a suitable office or of the payment of premiums, &c., but assume that I am talking to the average article clerk who has performed all these necessary preliminary steps.

In a period of declining youth (!) I can now state—and I think every senior will agree with me—that the period of articles is the period of training to become a qualified accountant which can mean quite a different thing from passing the accountancy examinations, but the student regards it solely, and always will regard it (as I did), as the period of examinations. Although the examinations must be passed, let me at once assure you that something more than the letters A.S.A.A. are required of you.

Preparation for Examinations.

Now examinations are nasty, necessary things and the preparation must be most seriously undertaken. It is of no use attempting to carry on your ways of life as before, and a drastic change for some twelve months or more for each examination must be faced, as, besides being a test of knowledge, it is also a test of self-denial. Cut yourself away from tempting attractions and remember that it is not for long and that once over the period of self-denial is soon forgotten. The usual method is to join one of the well known Correspondence Coaching Institutions and to obtain your course planned to spread over the period desired. I think it can be safely said that if you seriously and conscientiously follow such a course, there can be no question of failure.

In connection with a course, the following appear to me to be some of the pitfalls:—

1. In falling in arrear with your work and with your tests, in the hope of "picking up later." I again state that the study must be serious and systematic, and to hope to succeed by working in spasms is courting danger.

2. To read too quickly and to assume too much in doing so. Nothing so clearly demonstrates the folly of this as the example of having read a portion of, say, French reading, which one considers as very easy, and then afterwards to be tested in the construction and phrases—it is really remarkable how little one really knows of what was "very easy."

3. In regarding the writing out of examples and tests as a waste of time. The actual examination is really the writing out of a series of tests and invaluable experience is gained by properly completing all tests in the course.

4. Another temptation is to consult a text-book during the writing out of a test. This is unfair to the tutors and it is cheating yourself, and it is you who suffer; it is a habit that can easily "grow on one" and which must not be indulged in.

How to Utilise Everyday Experience.

I now intend to touch upon the various ways in which one can obtain valuable knowledge in your everyday life in the office. Every day that you attend in the office you will see something new—if you look for it. This latter is a special point. It is a great asset to be able to commence a job in the right frame of mind—to undertake it cheerfully, to go through what appears to be drudgery, to be patient and to "see it through." You will find that not only will you be surprised at the way the time flies, but also how, in fact, it can be made interesting to oneself, and furthermore, you thereby obtain the confidence of your seniors, for no senior will preferably give any of the so-called more interesting work to any junior who shows himself inferior in this respect or thinks himself "above" that work commonly known as "donkey work."

As an incident of what any of you might easily come across, I recall that in the second year of my articles I was vouching the purchases day book of a small business in which a manager was employed. I noticed that with one large creditor's account there were several invoices entered which bore dates not relating to the period under review, and there were other invoices which had obviously altered dates and also many receipts were missing. Upon inquiry direct to the firm in question it appeared that the manager had been holding back a large number of invoices and only part of the payments had actually been sent to the firm in question. The manager immediately confessed to his irregular practice and proceedings followed. Now if anyone had told me so early in my professional career that I would myself be the means of detecting fraud in accounts, then I am afraid I would not have believed him, but I am telling you this as an example of what might occur to any one of you any day.

Another point about every-day work is that about income tax. Most article clerks grumble because, after having acquired a book-knowledge of income tax, they are not allowed to do any practical work, but you will realise afterwards that this is really a specialised branch. I can well recommend a system which I adopted, which is, after having been engaged on the audit, to follow through the income tax file, the various letters, the computations, and the actual copy of the return form, &c.

It is not at all unlikely that you may find some error or notice some relief that has been overlooked. If you

proceed like this with every job upon which you are engaged you will obtain valuable experience. The only negative or prohibitory injunction here is: Do not take any papers out of the file, and be careful to put it back tidily.

Attitude Towards Seniors.

I do want to say a few words regarding seniors in the office. From actual experience I can tell you that it will greatly benefit you in many ways if you treat your seniors as you should—that is, to regard them as your superiors in knowledge in the office. I was nearly going to say to treat them with reverence, veneration and awe, but there's no need for that. Don't forget they have gone through what you would give worlds to have done with, and in addition they have far more practical experience. I do not advocate you to adopt a meek and mild attitude, but always restrain yourself somewhat in their presence. If a senior talks or jokes with you, do not necessarily regard this as a sign for you to do the same to him at any time. Especially so is this the case in front of the rest of the office staff and in front of clients. In short—Do not take advantage. You will find that if you adopt this motto in regard to your attitude to seniors, you will benefit yourself greatly in knowledge and in the interest which a senior will take in you.

How to Benefit from Meetings and Lectures.

Now, lastly, I wish to speak about the Students' Society, and to point out what I think are the special points which are ignored by students. There is firstly the question of public speaking and the participation in the prize essay scheme. You have heard of these often enough and I do not intend to dwell upon them here.

What I specially notice is that students attend lectures without preparation. If the subject is not one absolutely "beyond you" you should read it up beforehand; learn it, and thus anticipate every utterance of the speaker. Be ready for errors he may make, or for important omissions he has made; for recent decisions or new Acts which he might have overlooked. As the lecture proceeds, make full use of notes of that which you did not know before, or of those points which you had overlooked, and accordingly at the conclusion you will find yourself ready and eager to participate in the discussion which follows and which will be of great benefit to you.

Another point I have noticed is the reluctance of students to propose or second a vote of thanks to a Lecturer. Well, I can thoroughly recommend you to prepare some suitable phrases beforehand and then to ask Mr. Alun Evans (the Hon. Secretary) to give you an opportunity. I am sure he will be pleased to do so. It is a very good thing also to plan out in advance the progress you are determined to make, somewhat on the following lines:—For the first meeting (after your resolution), to ask one question. For the second meeting, ask two questions. For the third meeting, ask three questions. For the fourth meeting, ask one question and also ask to second the vote of thanks. For the fifth meeting, propose vote of thanks and ask two questions or so, and so on. I am not going to suggest you will keep strictly to this rate of progress, but the main point is to determine to progress, and that at the end of a session that you shall have made a marked advance over the beginning.

Mr. Charles Menlove Dolby, F.S.A.A., Liverpool, has been appointed a local director of the British Equitable Assurance Company, and not Mr. Charles E. Dolby, as incorrectly stated in our last issue.

Society of Incorporated Accountants in Ireland.

ANNUAL DINNER

The annual dinner of the Irish Branch of the Society of Incorporated Accountants was held in the Royal Hibernian Hotel, Dublin, on January 26th.

Mr. ROBERT BELL, President of the Irish Branch, occupied the chair, and there was a very large attendance of members and guests, amongst whom were: Mr. Ernest Blythe (Minister for Finance), the Lord Mayor of Dublin (Senator Alfred Byrne), Mr. Henry Morgan (President of the Society of Incorporated Accountants and Auditors), Mr. W. P. Sherriff (President of the Dublin Chamber of Commerce), Mr. A. D. Orr (President of the Incorporated Law Society of Ireland), Mr. Charles McGloughlin (Chairman of the Dublin Port and Docks Board), Mr. R. F. Browne (Chairman of the Electricity Supply Board), Mr. R. C. Ferguson (Assistant Secretary, Department of Industry and Commerce), Dr. Lorcan Sherlock, Mr. G. Brock (Hon. Secretary, Institute of Chartered Accountants in Ireland), Mr. Charles M. Dolby (President of the Liverpool and District Society of Incorporated Accountants), Mr. James Baird (President of the Belfast and District Society of Incorporated Accountants and Auditors), Mr. Ernest E. Edwards, B.A. (Assistant Parliamentary Secretary of the Society of Incorporated Accountants and Auditors), Mr. J. A. Kinnear (Vice-President, Society of Incorporated Accountants and Auditors in Ireland), Mr. J. Malvern White, LL.B., Mr. W. Edmiston Crawford (Secretary, Institute of Chartered Accountants in Ireland), Mr. A. G. Birch (Inspector of Taxes, Dublin), Mr. T. Donovan (Inspector of Taxes, Dublin), Mr. A. H. Walkey, F.S.A.A. (Member of Council), Mr. John Hall Cooper, Mr. James Boyd, F.S.A.A., Mr. Wilfrid H. Lamb, Mr. T. J. Robertson, F.S.A.A. (Liverpool), Mr. G. J. Moore, A.S.A.A., Mr. J. G. Dowling, A.S.A.A., Mr. R. A. Kidney, Mr. H. J. O'Brien, Mr. R. J. Kidney, F.S.A.A., Mr. A. L. Riley, A.S.A.A., Mr. W. H. Jordan, A.S.A.A., Mr. W. M. Budd, A.S.A.A., and Mr. A. J. Walkey (Hon. Secretary, Society of Incorporated Accountants in Ireland).

The CHAIRMAN in proposing the toast, "Prosperity to Ireland," said that this sentiment had been transmitted from past generations and it was a sentiment that would go ringing down through the ages so long as there was an Irishman worthy of the name. In once again reiterating that time honoured toast, he thought it well that they, representing the Incorporated Accountants in Ireland, should divest the words of all narrow limitations and find in them an expression of their desire for all that was uplifting in the life of their country as a whole and in the service of the community to that country. Prosperity in any undertaking essentially springs from within, and demanded the rendering of service even to the point of sacrifice. These principles applied no less to a country than to an undertaking, and so it was with great satisfaction that they recognised in the composition of the Governments of both the Irish Free State and Northern Ireland men not only pledged to the service of their country, but determined to make any personal sacrifice found to be necessary in the promotion of prosperity throughout their jurisdictions. It might be said that Ireland, like most other countries, was at present not so prosperous as they would wish; that trade was languishing, and that unemployment was

life. These were facts which they could not ignore, but he thought they should be viewed in their proper perspective and recorded as being the natural sequel to a period of deflation and gradual reduction in the cost of living. It was during such a period that plans should be prepared in readiness for the revival that was bound to come. The Governments in Ireland had not been failing in that duty. Their policy had included the provision of good roads throughout the length and breadth of the land; the advancement of education; the encouragement of new industries; the assistance of established undertakings and the instruction of the agricultural community in the most up-to-date methods of marketing their produce. In Ireland they had in recent years witnessed the successful promotion of Government loans; the gradual improvement in their country's credit and the satisfactory solution of the difficulties attendant on the introduction of a new coinage in the South as well as the consequent re-arrangement of the Bank Note issue in the North. Added to all this, they had peace in their land—long might it remain. The Incorporated Accountants in Ireland, knowing no boundary, united in their expression of goodwill towards the Governments in Ireland and assured them of whole-hearted support in the policies of bringing increased prosperity to the country. (Applause.) The science of accountancy was becoming more and more a necessity to the community. The administrative, as well as the industrial sphere was making increased demands on their services, so in order to keep abreast of modern requirements it was necessary that their profession should progress and expand. The prosperity of their country demanded that as a profession they should place at its disposal men so trained and so qualified that when called upon to deal with the varied financial problems of modern life, they could inspire confidence and give constructive advice. He would always be glad that during his term of office as President of the Society in Ireland, examination honours had again been won by Irish students. Mr. Edward M. Forde, a Dublin student, gained the Second Certificate of Merit in the Final examination in May, 1930, and Mr. C. McParland, a Belfast student, gained the First Certificate of Merit in the Preliminary examination in November, 1930. It was a matter for congratulation that many students were still coming forward for training. It was a great pleasure once again to welcome Mr. Blythe. They had happy memories of previous occasions on which he had honoured them, and he was glad that on this occasion he met the President of their Parent body, Mr. Henry Morgan. The work of Mr. Blythe and his department needed no commendation of his, for the fact that his administration had been an outstanding success was recognised not only in Ireland, but also abroad. (Applause.) The formulation of a financial system in a newly-established country was a task which might easily daunt even a super man, but Mr. Blythe had with true Ulster determination carried through his task, and to-day the credit of the Irish Free State took its place among the established currencies of the world. Taxation was a subject on which Ministers of Finance and accountants should speak with great discretion, but it was a subject of vital importance in determining the prosperity of a country. As accountants they viewed with alarm the continual growth of their national expenditure, and the steadily increasing cost of the social services of the country. It was their duty, however, to impress upon the community the necessity for each person to bear his proper share as it was only in this way that the various demands

could be made to fall equitably on the population as a whole. (Applause.)

Mr. BLYTHE, Minister for Finance, responding, regretted that he could not announce any reduction of income tax. (Laughter.) They in the Free State could claim that as things went at present the country was relatively prosperous. Everything was not in the condition in which they would like it, but looking at affairs in other countries they had every reason to be fairly satisfied. The troubles which afflicted them, and other countries to much greater extent, were the result of world movements and the result of the unparalleled slaughter and destruction of wealth that took place during the Great War. There was no use in pretending always that everything was bad and could not be worse. While of the opinion that State expenditure must inevitably increase, he said they must try not to allow social services to expand too rapidly. It was possible to cause great suffering by indulging in State expenditure which it was not possible for the community to afford. While everybody cried out for economy, he found that nobody wanted economy in detail. (Applause.)

The LORD MAYOR OF DUBLIN (Senator Alfred Byrne), proposing the toast of "The Society of Incorporated Accountants and Auditors," said that to Mr. Morgan and the other visitors he extended a very hearty welcome to the city, and hoped that they would all carry away with them pleasant memories of that visit. He knew that Mr. Morgan was a frequent visitor to this country, and he was sure that very little escaped his critical eye. When he went back to London and was asked how he found things in Ireland, he (the Lord Mayor) believed that his report would be "marked improvement in the Capital." (Applause.) Nobody could look for a more reassuring report from an accountant. They looked to accountants, as promoters of industrial development schemes, to play a big part in solving the great problem of to-day—the problem of unemployment, and he knew that they would not be found wanting. The commercial community was fortunate to have the services which professional accountants could give. Their training, experience and intimate knowledge of all classes of business fitted them to advise on practically any aspect of commercial and industrial organisation. He believed that their services were being appreciated and called upon more and more every day, with mutual benefit to the community and themselves. (Applause.)

Mr. HENRY MORGAN, President of the Society of Incorporated Accountants and Auditors, said: Mr. President and Gentlemen; I thank you for your cordial reception on the occasion of my first visit in the capacity of President of the Society of Incorporated Accountants and Auditors to the capital city of a land for which I have a sincere affection, and for its people a very high regard. My sentiments will be readily appreciated when I tell you that I have been visiting Ireland regularly for over twenty years, and that for over ten years, two months out of the twelve have been spent in your delightful country. It therefore gives me particular pleasure to be present at this gathering of Incorporated Accountants in Ireland, and to accept the renewal of the hospitality so generously and regularly extended to my predecessors over many years. That hospitality has comprised your official welcome, and in addition, so I am told, somewhat intensive private hospitality—I will not say from first thing in the morning, but certainly until late into the night. To make assurance doubly sure, the Belfast and Dublin members in former years put their heads together and arranged

the Belfast and Dublin dinners on successive nights. As an honoured guest may I commend the modified current arrangement providing an interval for convalescence between the two dinners. (Laughter.) To us visitors it is a particularly pleasurable and interesting experience to find ourselves, as we do to-night, among the statesmen, professional men, and the leading representatives of the commercial and industrial life of Ireland. I am delighted to meet them here. This representative gathering happily reminds me that, go where we may throughout the world, we find Irishmen prominent amongst the leaders in industry and commerce, and in the great professions. The native ability and character of Irishmen have inevitably asserted themselves. Many of them, or their forebears, left their native land in days when, handicapped by lack of mineral resources, Ireland had yet to develop her industrial and commercial opportunities. But an epoch of industrial development has now arrived, and by dint of imagination and leadership great changes are taking place. Science and enterprise have united to harness the forces of nature to the service of industry and agriculture. In her magnificent rivers and lovely lakes, Ireland possesses great natural advantages, which are now being converted into valuable national assets. (Hear, hear.) The great scheme launched a few years ago to utilise your largest river for the generation of electricity, marked an important stage in the industrial development of your country. During the last year or two I have been impressed with the number of high power cables all over the country, carrying electric light and power even to the remotest parts. Cheap electricity means low costs for the manufacturer, up-to-date methods for the farmer, economical transport for all, labour-saving facilities and cleanliness in the home. Electricity eliminates those enemies of modern civilisation—waste and dirt. I believe that many of the disadvantages which have retarded Irish industry will be things of the past. (Hear, hear.) The acute trade depression, I fear, is affecting Ireland in common with the rest of the world. But when, as I hope, the trade depression lifts, I foresee for Ireland a period of rapid industrial and agricultural development, bringing great prosperity and national wealth.

More and more widely it is being recognised that the services of accountants are vital to industry and commerce, and it is certain that the accountancy profession is destined to play a very prominent part in Ireland's industrial future. An outstanding and encouraging feature in regard to Irish accountancy is the wholehearted co-operation of the two bodies of professional accountants, the Institute of Chartered Accountants in Ireland and the Society of Incorporated Accountants and Auditors, to advance and protect the interests both of the profession and of the commercial public. It is very satisfactory that those unprofessional methods, which have disfigured the profession on the other side of the water, do not exist to anything like the same degree in Ireland. (Hear, hear.) The accountancy profession is deeply indebted to the members of the Departmental Committee on Registration, which issued its Report some six months ago. The evidence submitted to that Committee and the Report, which contains a mass of important information regarding the accountancy profession, I suggest can be studied with advantage in relation to the direction and control of the profession in this country. Although the Committee unanimously reported against Registration for the accountancy profession, it was shown beyond question that the Incorporated Accountants and the Chartered Accountants in England and Scotland were generally recognised as those who were fully qualified to carry out the onerous duties of professional accountants, and that reliance,

justified by experience, was placed upon their certificates and reports, not only by the commercial public, but by the Courts of Justice and various Government Departments. I believe the public in Ireland take a precisely similar view in regard to the qualifications of the Incorporated and the Chartered Accountants in Ireland. The time when registration and the legal regulation of the profession could have been a practical proposition has now passed. The future of the profession must depend on the maintenance of the high standard of examination, training, and conduct required of their members by our own Society and the bodies of Chartered Accountants. The spirit of co-operation between the two bodies in Ireland, to which I previously referred, is a happy augury for the future of the profession in Ireland. (Cheers.)

Before concluding, I would like to refer to the splendid work which has been done by the Society of Incorporated Accountants in Ireland, established thirty years ago. I recall the memory of those with whom Sir James Martin conferred in regard to the foundation of the Irish Branch. I would particularly mention the late Mr. Edward Kevans, of Dublin, the late Mr. M. J. Stapleton, of Cork, and the late Mr. H. B. Brandon, of Belfast, whose names we hold in high respect. There is no other Branch of Incorporated Accountants which has more loyally supported the policy of the Society, or has contributed in a greater degree to the wonderful progress made by Incorporated Accountants during the last generation. (Cheers.)

Although the headquarters are situated in London, our Society is international in character. The Society of Incorporated Accountants in Ireland is entrusted with a large measure of self-government. Matters of policy affecting the profession in Ireland and the details of administration are in the hands of the Branch Committee. Examinations for candidates in the Irish Free State are conducted in Dublin by that Committee, and the questions set thereat are strictly in accord with the law and practice in the Irish Free State. On behalf of the Council, I wish to express our congratulations to the President of the Irish Branch, Mr. Robert Bell, and our appreciation of the valuable services rendered by the Officers and Committee. The formation of a Students' Society is a most satisfactory and useful feature of the work. It is also encouraging to see at our Autumnal Conferences, held in various cities, an enthusiastic delegation from Ireland. I am happy to have as one of my colleagues on the Council our friend, Mr. A. H. Walkey, who is so ably supported in Dublin by his nephew, Mr. A. J. Walkey, your Hon. Secretary. (Hear, hear.) It is my earnest hope that the Society of Incorporated Accountants in Ireland may continue to progress and prosper in its service to Irish industry and commerce, with whose prosperity its own must be so closely identified. (Cheers.)

Mr. JAMES BOYD, F.S.A.A., in a humorous speech, proposed the toast of "The Guests."

Mr. A. D. ORR, President of the Incorporated Law Society of Ireland, briefly responded.

Mr. LORCAN SHERLOCK, LL.D., and Mr. CHARLES M. DOLBY, President, Liverpool and District Society of Incorporated Accountants, also responded.

Mr. ERNEST E. EDWARDS, Assistant Parliamentary Secretary, proposed "The Chairman."

In responding, Mr. ROBERT BELL paid a tribute to Mr. A. J. Walkey, the Branch Hon. Secretary.

District Societies of Incorporated Accountants.

BELFAST.

At the monthly luncheon of the Belfast and District Society of Incorporated Accountants, held on January 5th, Mr. A. E. Silvester, Chief Inspector of Taxes for Northern Ireland, read a paper on Income Tax in Northern Ireland. He dealt with the difference between the income tax law relating to Northern Ireland and that of Great Britain, particularly as regards the administration of the Acts and the procedure relating to appeals, and pointed out that the right of appeal to the County Court Judge in the event of a taxpayer not being satisfied with the decision of the Special Commissioners, was a provision that only applied to Ireland.

At the close of the meeting a vote of thanks was proposed by Mr. Norman Booth, seconded by Mr. Herbert McMillan, Secretary of the Society, and conveyed to Mr. Silvester by the President, Mr. James Baird.

CUMBERLAND AND WESTMORLAND. ANNUAL MEETING.

The annual general meeting of members was held in the City Treasurer's Office, Carlisle, on January 5th. Mr. E. Lund (President) occupied the chair.

The report and accounts were read by the President, and after explanations had been given, they were adopted.

The following were appointed members of the Committee: Mr. E. Lund, Mr. E. J. Williams, Mr. T. E. Williams, Mr. F. Griffith, Mr. F. T. Kenyon, Mr. W. E. Percival and Mr. R. S. Duthie. Mr. W. E. Percival was re-appointed Auditor.

Mr. E. Lund was appointed representative of the Society on the Chamber of Trade.

On the motion of Mr. E. J. Williams, seconded by Mr. W. E. Percival, the Secretary was instructed to write the Finance Committee of the Corporation, thanking them for the use of a room in the City Treasurer's Office for meetings, lectures, &c. It was decided to hold a committee meeting on each lecture evening, provided there was any necessary business.

Votes of thanks for their services during the past year were accorded to the President, Mr. E. Lund, the Auditor, Mr. W. E. Percival, the Secretary of the Students' Section, Mr. H. Graham, and the Secretary, Mr. R. S. Duthie.

Report.

The following is the report of the Committee for the year ended September 30th, 1930.

LECTURES.

The lectures arranged by the District Society during the past year were as follows:—

"Contract Law in Daily Life," by Mr. W. Summerfield, M.A., B.C.L., LL.B., London.

"Public Finance of the United Kingdom," by Mr. J. A. Berger, D.Sc., F.C.A., Principal of the Gresham School of Economics, London.

"The New Companies Act," by Mr. O. K. Metcalfe, M.A., LL.M., of Gray's Inn, Barrister-at-Law.

"Income Tax," by Mr. C. T. Stephens, A.S.A.A., Newport.

"Sale of Goods," by Mr. C. A. Sales, LL.B., F.S.A.A., London.

All the lectures were well attended, and the high standard which has been set at those lectures was again well maintained. The thanks of the District Society are due to those gentlemen who so kindly contributed to the Syllabus.

EXAMINATIONS.

Congratulations are extended to the two students who passed the Final and four who passed the Intermediate examinations of the parent Society.

BYE-LAW No. 24.

The attention of candidates is called to this bye-law which concerns candidates who have passed or obtained exemption from the Preliminary Examination.

SOCIAL EVENING.

A very successful social evening was held on March 13th, 1930, when there were present, in addition to members of the Society, various gentlemen connected with the commerce of the city.

CONFERENCE.

This year's Conference was held in Sheffield and proved a great success. This District Society was represented by the Honorary Secretary.

SOUTH WALES AND MONMOUTHSHIRE.

(CARDIFF AND DISTRICT STUDENTS' SECTION.)

At a meeting held on January 8th, the chair was occupied by Mr. E. Ewart Pearce, A.S.A.A., who was supported by Mr. J. Pearson Griffiths, F.S.A.A., Mr. L. J. Muller, A.S.A.A., Mr. J. Alun Evans (Hon. Secretary), and a good attendance of students.

Three members of the Section delivered addresses: Mr. K. V. Stephens (Vice-Chairman) on "Organisation of Labour," Mr. Ivor Davies, A.S.A.A. (ex-Chairman) on "Accountancy Training," and Mr. O. J. Thomas on "Apportionment and the Executor." Mr. Stephens dealt with the growth of modern labour organisations from about 100 years ago down to the present time. Mr. Davies' paper on accountancy training generally covered the period of training up to the passing of the Final examination, while Mr. Thomas concluded the evening with a masterly paper which was of special interest to the students now studying for the examinations.

Animated discussions took place at the close, and the Lecturers were accorded a hearty vote of thanks, proposed by Mr. V. F. Alban and seconded by Mr. J. T. Jones.

At the conclusion of the meeting the Chairman congratulated Mr. Noel Cliffe upon taking second place in the recent Intermediate examination, and Mr. John Ewart on taking fourth place certificate, as well as other members who were also successful.

Bradford and District Society of Incorporated Accountants.

ANNUAL DINNER.

The annual dinner of the Bradford and District Society of Incorporated Accountants was held at the Midland Hotel, Bradford, on January 23rd, when the chair was occupied by Mr. Tom Hudson, the President. For the first time, ladies were included among the guests. Although the Lord Mayor (Alderman Alfred Pickles) was unable to attend, the Lady Mayoress (Mrs. Pickles) accompanied the Deputy Lord Mayor (Ald. Kathleen Chambers). Other guests present included Mr. Walter Holman (London), member of the Council of the Parent Society; Mr. J. Horace Lockwood, M.P.; Mr. R. C. Maude, President of the Bradford Incorporated Law Society; Alderman F. Dickinson, J.P., Mayor of Keighley; Councillor S. Packett, President of the Insurance Institute of Bradford; Mr. W. H. Suddards, Vice-President of Bradford Chamber of Commerce; Mr. N. R. Dickinson, President of Bradford and District Chartered Accountants' Students' Association; Mr. W. A. Welch, Chairman, and Mr. C. C. K. Swithinbank, Hon. Secretary of the Bradford Centre of the Institute of Bankers; Mr. Harold Butler, President of Halifax Chamber of Commerce; Mr. C. A. Harrison, Hon. Secretary of Bradford and District Chartered Accountants' Students' Association; Mr. E. E. Edwards, B.A., LL.B., Assistant Parliamentary Secretary of the Society of Incorporated Accountants and Auditors; Mr. G. A. Ridgeway, President of Hull and District Society of Incorporated Accountants; Mr. C. M. Dolby, President of Liverpool and District Society of Incorporated Accountants; Mr. Jas. A. Johnson, Hon. Secretary, Bradford Law Students' Society; Mr. Norman Hurtle, President of Leeds and District Society of Chartered Accountants; Mr. A. R. Sheaves, H.M. Inspector of Taxes, Bradford; Mr. Percy Toothill, President of Sheffield and District Society of Incorporated Accountants; Mr. Jas. A. Hulme, President of Manchester and District Society of Incorporated Accountants; Mr. W. Metcalf McKenzie, President of Newcastle-on-Tyne and District Society of Incorporated Accountants, and Secretary of Sunderland Chamber of Commerce; Mr. J. Telfer, Hon. Secretary of Newcastle-upon-Tyne and District Society of Incorporated Accountants and Auditors; Mr. T. W. Dresser, Hon. Secretary of the Incorporated Accountants' District Society of Yorkshire; Mr. A. France, President, the Incorporated Accountants' District Society of Yorkshire.

The loyal toast was proposed by the President.

Mr. J. H. Lockwood, M.P., in proposing the toast of "The City of Bradford," said he was particularly glad to be present because he looked on the Incorporated Accountants as old friends. He had had many associations with the Society in the past, and he regarded many of those round the table that evening as colleagues of his own in the daily work of a busy industrial centre—all working together for what he felt was a very useful purpose, and one which, he hoped, might, at any rate, even in these difficult times, result in sufficient remuneration to pay office expenses. (Laughter.) Some people thought Bradford was hardly a prepossessing city. He had himself felt very much alarmed at its appearance when he first entered the city from London; but it was not so much the buildings of a city that mattered as the character of its citizens, and there was little ground for complaint against the business community of Bradford. The city stood high in the record of municipal achievement, especially in ways affecting the health and welfare of the people.

Looking at the matter as a Member of Parliament, he was interested to note that although Bradford returned only four Members of Parliament officially, there were no less than fifteen Bradford men in Parliament at the present time. Bradford was undoubtedly a progressive city, but when one thought of the tremendous capital involved in the activities of such a place, and of the difficulties through which all sections of industry and business were passing to-day, one was sometimes inclined to wonder whether the Bradford municipal authorities followed quite quickly enough on the heels of current happenings; whether they were as alive as they ought to be to the need for preservation of the capital of a community which was passing through such troublous times commercially.

Alderman KATHLEEN CHAMBERS (Deputy Lord Mayor of Bradford), in responding to the toast, said that before coming to the dinner she had thought it desirable to make a few inquiries about Incorporated Accountants, and she found that, from all one could gather, they were about the only people in Bradford who were making any money at the present time. (Laughter.) She understood that when trade was good, accountants were very busily engaged in getting people off excess profits duties and income tax, and when trade was bad they were busy preparing details for a gentleman named the Official Receiver, the most inquisitive person she had ever heard of, and whom she had no great longing to meet. (Laughter.) There would seem to be a certain amount of kinship between accountants and herself, because they spent their lives among figures, whilst she was a member of what in Bradford was sometimes known as "The Big Nine"—the Estimates Sub-Committee of the Corporation. She knew quite well that figures could not lie—they could only be manipulated. (Laughter and applause.)

Mr. R. C. MAUDE (President of the Bradford Incorporated Law Society), proposing the toast of the Society of Incorporated Accountants and Auditors, briefly referred to the Report of the Departmental Committee on Registration. Mr. Maude said he was a regular reader of the *Incorporated Accountants' Journal* and he noted that at most dinners of this kind the toast of the Society was proposed by a member of the legal profession. He supposed every representative of the Society who was to respond would know exactly what was going to be said beforehand. (Laughter.) Undoubtedly the two professions had very much in common. Law students nowadays had to take an examination in book-keeping, but it was well known that solicitors knew as little about book-keeping as anyone in the world, and he did not think accountants need fear any competition in accountancy from that source. (Laughter.) In fact, there was actually a Bill in Parliament at the present moment which provided that all solicitors' books must be audited by an accountant. With that proposal he heartily agreed, though there were some other proposals in the same Bill with which he could not agree, and which he hoped the Society of Incorporated Accountants would oppose. The two professions had to work side by side. He felt sure they would agree there ought to be no poaching, and in this respect members of both professions would cordially co-operate. He wished the Society and the accountancy profession continued prosperity. (Applause.)

Mr. WALTER HOLMAN, London (Member of the Council of the Society), responding to the toast, said he was glad to learn that Mr. Maude was a regular reader of the *Incorporated Accountants' Journal*. If he looked back about three years he would find the record of a lecture given by a distinguished member of the profession dealing with the future of accountancy. In that article

the Lecturer emphasised the necessity for close co-operation between the legal and accountancy professions. He told them in the lecture that it had not always been so; that in the early days of accountancy the legal profession eyed them with suspicion and with coldness, but gradually that attitude changed. It started with a flirtation, and gradually the intimacy developed until at the time of the lecture the Lecturer considered that the "walking out" stage had already long passed. (Laughter.) He (Mr. Holman) was not going to be so forward as to accept Mr. Maude's kind remarks as an actual proposal of marriage, but he believed he was entitled to interpret those remarks as indicating that the very high respect which all Incorporated Accountants had for the legal profession was, in Bradford at any rate, shared and reciprocated. (Hear, hear.) If he were to reply to the toast in conventional manner, he would no doubt say how sorry he was that the President or Vice-President of the Society had not been able to attend, but he preferred to be quite honest and say he was delighted that the opportunity to visit Bradford—for the first time—had come his way. He was glad to come to Bradford also because he knew he was going to enjoy again a sample of that Yorkshire hospitality of which he had a taste during their recent Conference at Sheffield. Another pleasure was that of meeting the officers and members of one of the District Societies which was very much alive and had done much to extend the Society's activities in the North. He was deeply sorry that he was not on this occasion able to meet Bradford's City Treasurer, Mr. F. Ogden Whiteley, who for some years had been a member of the Council of the Society, and whose former colleagues remembered his good work and wished him a speedy and complete recovery to health. (Hear, hear.) In responding to this toast in Yorkshire, Mr. Holman felt he must refer to the heavy loss sustained by Yorkshire and by the accountancy profession in the recent passing of Sir Charles Wilson, of Leeds. It was fitting that at the first Society function in Yorkshire since his death they should acknowledge publicly the great debt the Society owed to Sir Charles. Sir Charles had joined the Society forty years ago, had filled the office of President from 1901 to 1904, and ever since had been a member of the Council. In spite of the claims of his many private and public activities he had worked untiringly for the advancement of the Society, and his loss would be regretted by none more sincerely than by the members of the Society whom he served so well. (Hear, hear.) Looking back over the past year, said Mr. Holman, he was reminded that 1930 was pre-eminently a year when women successfully invaded territories in which men had hitherto been supreme, and it was appropriate that Bradford, which could claim to have produced one of the first—if not, indeed, the very first—of women to become an Incorporated Accountant, should this year have invited the ladies of the members generally to share in this annual function. He congratulated the Committee on the innovation, and on having crowned their achievement by inducing the lady Deputy Lord Mayor, as well as the Lady Mayoress, to grace their board that evening. (Applause.) When the annual dinner at Bradford was held last year, registration for the profession was a burning question, and the President (Mr. Henry Morgan)—as Mr. Maude had remarked—had dealt with it at length in responding to that toast. Since then the Departmental Committee set up by the President of the Board of Trade to consider the matter had presented its Report, and registration had ceased to be a live issue! Whatever their personal views on the result of the Committee's work might be, its effect on the Society as a body should be to make it concentrate on its most important work, which, as he understood it, was to provide the

means by which women and men could obtain the training and the testing necessary to fit them to be of service to the community as Incorporated Accountants. And he thought its effect on the members should be to make them realise that they must depend, not on legislative enactments and other outside aid, but on their own efforts and their own efficiency for advancement in the profession. Perhaps as an Examiner of the Society he might be allowed to emphasise this point of view on those who were to-day seeking to enter the profession. He did not wish to say a word in disparagement of the many excellent organisations which existed for coaching students for accountancy examinations, because they had undoubtedly contributed in no small measure to the growth of the profession, but their very efficiency had tended to make students depend for their success increasingly on them rather than on their own efforts. It was rumoured that examination candidates did not burn the midnight oil to the same extent as formerly. However that might be, success in accountancy, as distinct from success in examinations, was not to be attained by memorising formulae and definitions, but by understanding and mastering fundamental principles and learning to apply them—and for that, individual concentration and effort were necessary. They were in the midst of one of those cycles of trade depression which had swept the world before, and would no doubt sweep it again, and there seemed to be a fatal tendency for people to relax individual effort whilst they discussed the causes of the phenomenon, and look to outside sources—municipalities and Governments, to anyone or anything other than themselves—to help them to weather the storm. Such an attitude paralysed effort and delayed recovery, and he suggested to his fellow members of the Society that in these difficult days they could render useful service to the community by retaining their perspective and sense of proportion, and by practice and precept maintaining that individual effort was the surest preparation for commercial recovery. (Applause.)

Mr. A. E. STRINGER (Vice-President of the Bradford Society) in proposing the toast of "The Guests," made special reference to the presence of the ladies for the first time, and also to the happy coincidence that—also for the first time—they had a lady speaker in the person of Bradford's first lady Deputy Lord Mayor. Bradford was glad to welcome representatives of other District Societies. It was good that they should get together periodically in this way and make closer the link which bound them all to the Parent Society. They were always glad to welcome representatives of kindred professions, and of the great trading community whom it was the privilege of accountants to serve. They had that evening heard mention of the industrial depression through which the country generally, and Bradford particularly, was passing, but he thought it was high time the word "pessimism" was wiped out of their vocabulary and replaced by "perseverance." (Hear, hear.)

Mr. W. METCALFE MCKENZIE (President of Newcastle-on-Tyne Society), responded on behalf of the guests. He congratulated the Bradford Hon. Secretary (Mr. Herbert Reynolds) not only upon the excellence of arrangements for that function, but on the intuition which prompted him to send an invitation to Newcastle. He was glad they had present that evening two representatives from the great City of London, because it was as well to seize every opportunity to remind London that the Provinces were of some little consequence. He thought the importance of the industrial North was sometimes well worth bearing in mind, and folk in the Provinces should not miss opportunities to push the facts into the minds of their London friends whenever they got a chance. (Laughter and applause.)

Mr. C. M. DOLBY, President of Liverpool District Society of Incorporated Accountants, proposed, and Mr. E. E. EDWARDS, Parliamentary Secretary of the Parent Society, supported a special toast to the President of the Bradford Society. They paid tribute not only to the service of Mr. Hudson, but also to the work of Mr. Herbert Reynolds as Honorary Secretary of the Bradford Society for some years past. Mr. Reynolds was chiefly responsible for the carrying through of arrangements for that enjoyable function.

Mr. HUDSON, in responding, added his own tribute to the enthusiastic work which was put into the secretaryship by Mr. Reynolds.

Joint Stock Company Finance.

A LECTURE to the students of the City of Birmingham Commercial College by

MR. THOMAS KEENS, F.S.A.A.

Mr. KEENS said: Historically the limited liability company is one of the creations of the nineteenth century, but it takes an effort to realise that a century ago it was unknown. The genius who invented it is already forgotten—like so many of the greatest benefactors of the race—and we may easily overlook the great practical advantages which the application of the idea has brought, not only to industry and commerce, but to the whole community. I lay stress upon the incalculable benefits of the joint stock system, because the lapses from rectitude in company affairs, and the failures with their attendant losses to shareholders and creditors inevitably receive so much notice, that the public may not have a right appreciation of the substantial success which has attended joint stock company enterprise.

Addressing those who are looking forward to a career in the sphere of industrial administration, I consider it is most desirable that they should have a general acquaintance with the structure of the organisation in which industrial administration for the most part is carried on, and some conception of the financial foundation upon which a company is built up, although it is not essential for them to be acquainted with the technical details of company organisation.

GENERAL FINANCIAL ASPECT OF JOINT STOCK COMPANIES.

The joint stock company is an embodiment of the democratic principle in finance. It enables large enterprises requiring capital so substantial that it could only be provided by the pooling of resources to be carried on, and this pooling would be impossible under individual ownership. The organisation of a company enables a large number of persons to participate in the provision of the necessary capital: the general direction of the policy of the company being entrusted to a board of directors and the executive functions to the officials of the company. Thus the risks of business are spread, and if the undertaking be successful, those who have shared in the risks of enterprise share also in its pleasant fruits.

An important feature of joint stock company finance in these days is the large number of small capitalists, who, in my view, have come to stay, and are deserving of every encouragement. Further, I should say that in considering the finance of a company, the interests of parties other than the shareholders must not be overlooked; there are the workers, from the management

down to the manual labourers, as well as the consumers, and each class has its own claims.

The successful operation of a company largely depends upon its direction and management. The personnel of the board and the capacity and qualifications of the administrative officers are, therefore, an important consideration. But I must state emphatically that a promising venture may become a disaster unless it has a sound financial basis. Unfortunately, many undertakings with good commercial prospects have been wrecked because of bad financial management.

It is necessary to differentiate between circumstances in which temporary financial assistance may be satisfactory and those calling for permanent financial arrangements.

Assuming that a company has been formed, a time may come when, for some reason or another, temporary accommodation is required. For example, capital may be required to finance a substantial contract which has been obtained and which, by locking up a large amount of working capital, will make a heavy call upon the liquid resources of the company; or the extension of buildings and plant may be desirable at a time when the state of the money market is such that it would be inadvisable and inopportune to appeal to the public for subscriptions to an issue of new capital.

In either case the directors may decide to approach the company's bankers with a view to temporary accommodation. If the bank agree to make the loan, they will prescribe certain conditions; they may ask for the personal guarantees of the directors, or for the issue of debentures to their nominee. If the funds are required for the execution of a contract, the company will be able to reduce the loan as it receives the payments due under its contract; but if the temporary accommodation received from the bank is sunk in permanent works, the directors will seek for a favourable opportunity to obtain additional permanent finance in some of the forms which I will now describe.

PERMANENT FINANCE.

Permanent finance is arranged by the issue of:—

- (a) Debentures.
- (b) Shares of different classes.
- (c) Notes (though much less frequently).

(a) Debentures are of different kinds, but generally speaking debenture holders advance money to the company upon which a fixed rate of interest is payable, and their rights are protected by a specific or floating charge upon the assets of the undertaking. Debentures represent money lent, and, therefore, interest is payable even if no profits are made by the company.

(b) Shares are of many classes, for example:—Cumulative Preference Shares, Non-Cumulative Preference Shares, Participating Preference Shares, Ordinary Shares, Preferred Ordinary Shares, Deferred Ordinary Shares.

The rights of these various classes of shares vary according to the terms of issue, particularly in regard to the priority of their claims to dividend out of profits and to return of capital in the event of winding up; but shareholders of whatever class will only be entitled to share in the proceeds of liquidation after the claims of creditors and debenture holders have been met.

(c) Notes are sometimes issued for a short term of years at a fixed rate of interest; they are not protected by any charge upon the assets of the company, and their position is rather an anomalous one. They have generally been used to finance operations covering a few years,

and have usually been issued with a promise of repayment at a specified date, perhaps five to ten years after issue. They are not in the same category of permanence as the classes of shares which I have mentioned.

REDEEMABLE PREFERENCE SHARES.

Of the foregoing, debentures can be repaid by the company at a fixed date or by drawings, according to the terms of issue. They constitute a debt due by the company, and are not capital.

Up to the passing of the Companies Act, 1929, all the remainder, i.e., shares, were not redeemable, and a return of capital could only be made in liquidation or by an order of the Court reducing the capital of the company.

Under the Act of last year (sect. 46), a new class of shares was introduced, viz, Redeemable Preference Shares. The theory underlying this departure from precedent appears to be that preference shares really represent money borrowed by the real owners of the business—the ordinary shareholders—and that loans without security, raised by a private trader, can be repaid according to the terms of borrowing. The same privilege is accorded to a limited company under the following conditions:—

The shares may be redeemed at the option of the company out of profits otherwise available for dividend, or out of the proceeds of a fresh issue of shares for the purpose. The shares must be fully paid, and, of course, the issue authorised by the company's Articles. It will be interesting to see whether this class of share will find favour with investors. I am very doubtful.

EMPLOYMENT OF CAPITAL.

In regard to the manner in which cash is subscribed by way of shares and debentures, I shall have something to say later. In the meantime I would mention that in the case of a first issue, the subscription generally will have for its object the acquisition of a business involving: assets of a tangible character, to carry on the undertaking; the purchase of stocks and material; the provision of working capital, and the provision of funds to meet preliminary expenses. It is a fundamental feature of sound finance that the capital of the company should be preserved intact; in other words, that the value of the assets (due regard being paid to their earning power) and the total amount of the share capital and debentures should correspond at the beginning and throughout the history of the undertaking. The determination of the value of a business as a going concern for the purpose of fixing a basis for its acquisition by a company in course of flotation is a difficult problem, and at least the following factors must be considered:—

1. Past records of the business as reflected in definitely ascertained profits for each of the previous three or five years.
2. An expert valuation of certain fixed assets.
3. General economic and market conditions.
4. Prices at which any stock in hand and work in progress have been valued.
5. The relation between the value of the assets and profit-earning capacity conservatively estimated.

The importance of this factor must never be forgotten, for it is obvious that if the expert valuation of the fixed assets gives a figure of £100,000, whilst the earning capacity of those assets cannot be estimated at more than £5,000 per annum, as a going concern the assets cannot be worth anything like £100,000 to a buyer.

When these factors have been dealt with the practical steps for the flotation of a company can be taken and the application of the principles of finance to companies can best be studied by considering the steps to be taken in such a flotation.

FLOTATION OF A COMPANY.

Let us assume that the company is being floated to acquire a brick manufacturer's business, previously carried on by two partners, with a view to its development and extension. The business has been reasonably prosperous, but the partners have no available capital for extension, and therefore decide that it is reasonable to convert the business into a public limited company. The main objects of the new company may be assumed to be to take over the undertaking and also to acquire another similar business, which can be brought within the ambit of the company's operations and finance. The board of directors of the new company may consist of two partners from each of the firms, with an independent chairman, he being a man of wide business experience who, it may be hoped, has also a substantial knowledge of finance. These five men (whom we will call the syndicate), having come together and discussed their plans, would next approach a finance house with a view to that house undertaking responsibility for the flotation of the new company, and finding the necessary capital including arranging for the underwriting.

The first steps to be taken would relate to the registration of the company at Somerset House, the formalities of which will be attended to by the solicitors.

I should here explain that underwriting, to which I have referred, is a contract entered into by persons who, in consideration of commission of so much per cent., contract to take up any shares, forming part of a public issue, for which the public do not subscribe, or they may even contract to take up firm a certain number of shares. The issuing house may underwrite the whole issue and, in turn, contract with a number of sub-underwriters, or they may underwrite only a portion of the issue themselves and secure a number of their financial friends to undertake the underwriting of definite amounts of capital. It will be seen that if the issue is taken up well by the public the underwriters are relieved of their responsibility and receive their commission; if, on the other hand, the conditions are not favourable and the shares are not taken up by the public, the underwriters receive shares up to the amount of their contract and the commission, which, in fact, means they acquire the shares at a lower price than anyone else. If the undertaking is a good one and makes good profits, they will probably be able to sell their shares a little later at a good price and reap a fair reward for the risk taken. If, however, the issue does not meet with a favourable response from the public and, owing to times being bad, the company's business falls off, then the position may be serious for the underwriters, who are compelled to "nurse" their holdings.

It will be seen from this description how important it is that those who undertake the responsibility of underwriting should be men of prescience and substance. They should be able to form some opinion of the prospects of the company, both from its past records and from general business conditions, and should be able to judge whether the public are likely to be attracted by the issue or not. It is common knowledge that during recent years there have been underwriting proceedings in which due care was not taken by promoters, with the result that underwriters proved unable to meet their obligations.

I will assume that the promoting syndicate have found a satisfactory issuing house, have given the directors

of the issuing house all the information required by them, that the solicitors have attended to registration, and that arrangements for satisfactory underwriting have been made.

PROSPECTUS.

The next step will be the preparation and issue of a prospectus—which includes any notice, circular or other invitation to the public to subscribe for shares in a company.

The question of the contents of the prospectus is a very technical one, and I do not wish to burden you with details. The prospectus is an official statement which must conform to the requirements of the Companies Act, setting forth certain material facts upon which investors may decide whether they will subscribe to the issue or not.

The duty of accountants in relation to the prospectus is to certify facts, and facts only. They will certify as to the profits which have been earned in each of the recent financial years; they will not certify an average profit, which might be misleading, and, indeed, is now contrary to law. It is not part of their business, and it is contrary to the well-established principle of the profession, that they should express any opinion whatever as to the prospects of the company. Indeed, I can go further and say that the auditors should refrain from expressing an opinion upon facts which are outside their sphere, or which might lead the public to assume that the auditors have formed and expressed by implication some opinion on the future prospects of the company. The facts certified by the auditors, therefore, must be facts relevant to the accounts they have examined.

OBTAINING SUBSCRIPTIONS FOR CAPITAL.

The issue of the prospectus will be in the hands of the issuing house, who will advertise its contents in appropriate newspapers, and there will be attached thereto a form of application for shares. When the issue has been fully subscribed, or it is thought that sufficient time has elapsed for all probable applications for shares to have been received, the lists will be closed. The directors will meet to make an allotment of shares to the applicants and it will be the duty of the officers of the company to send an allotment letter to all subscribers, intimating the amount of shares allotted to each of them, and stating when the subsequent instalments on the shares are payable. In the first instance, each subscriber pays a deposit on application and contracts to pay a further amount on allotment, and also subsequent calls on a definite number of shares, in accordance with the terms of the prospectus. The capital will be issued in some suitable denominations and classified into Preference, Ordinary, and perhaps Deferred, or other classes of shares, as indicated at an earlier stage of this paper.

As soon as the company has gone to allotment the directors will take steps to complete the purchase of property in accordance with contracts previously made, by payments in cash and possibly by the allotment of certain shares to the vendors. The allotments have now been made and the subsequent instalments on the shares should be paid by the shareholders at the appropriate dates, such payments being remitted to the company's bankers.

COMMENCEMENT OF OPERATIONS.

After the filing of the necessary return and the issue by the Registrar of Joint Stock Companies of the official certificate to that effect, the company is in a position to

commence business. It has control of two operating concerns, which we will assume are in good order and in a state of active production. When promoting the company, and in amalgamating the two undertakings, the board believed that certain economies and improvements in administration could be effected. It is now their business to carry their proposals into effect. They may decide that additional plant or certain re-arrangements are necessary for the purpose of placing the undertaking on a more profitable basis, such as that new continuous kilns must be constructed, that the lay-out of the works must be altered, aerial tramways must be constructed from pits to the kilns, and a series of land tramways are required to be built and other improvements effected. At the same time the board must take steps to develop their selling organisation. If deemed necessary and desirable, depots at suitable places must be opened for delivery purposes and possibly a number of selling agents appointed. It is important in an industry such as brickmaking, the product being bulky but comparatively light, that the bricks should be handled with the greatest economy and facility. The question of transport, therefore, will be required to be studied and overhauled. It will doubtless be desirable to arrange with a railway company for the construction and operation of a railway siding, for suitable roads and loading places in and out of the works, and for distribution by motor haulage. A number of other improvements which I need not mention will probably have presented themselves to the minds of the directors. Inevitably all of these things have to be paid for and resort must be had to the capital provided by the shareholders. It is likely that when the developments already mentioned are completed the directors contemplate sales on a certain basis with a steady increase in output, for which the prospects of disposal are favourable. It may be, however, that after a while the company may obtain a large and unexpected contract extending over a long period, and this may lead the directors to decide that further extensions are necessary to provide the additional output. The problem will then confront the directors as to how the necessary extensions are to be financed, seeing that the capital originally subscribed has already been utilised for the purposes for which the company was formed.

ADVANCE BY BANKS.

The directors may apply to the bank and obtain a temporary advance to finance the contract, but the extensions to premises and plant will also require finance of a more permanent nature, and in these circumstances the directors, assuming, as it may be hoped, that the business is already showing substantial profits, may deem it wise to make provision for the permanent issue of debentures to the public, secured by a specific charge upon the assets of the undertaking. The solicitors will be consulted to draw up the necessary debentures, for trustees to be appointed on behalf of the debenture holders, and for a trust deed to be prepared and lodged at Somerset House. The procedure in regard to the issue of debentures would be similar to the issue of shares, which I have already described.

I have now given in general terms the history of the processes of the promotion of a company, the finding of the necessary capital and the commencement and continuation of its operations.

COMPANY FINANCE AND THE INDUSTRIAL ADMINISTRATOR.

The success of a public company depends upon policy, administration and finance, and the manner in which those three departments are co-ordinated and harmonised.

I have spoken of the importance of considering finance and capital in regard to earning capacity, and it is with the practical side of earning capacity that the industrial administrator is chiefly concerned. However carefully plans and schemes may be laid for the development of policy, and for the provision of financial resources, successful operation must depend upon the efficiency of the organisation and of the practical side. For management control in the matter of day-to-day working and for the information of the sales department, a well-regulated costing system is vital. In addition, a periodical statement of earnings for the assistance of the management and the board of the company is essential for consideration when taking decisions for the future. However closely the board and the management may be acquainted with the details of the company's operations, scrutiny of periodical financial statements and costings may reveal defects or weaknesses which may not be discovered in any other way, weaknesses which, if not dealt with, may become cumulative and serious in their effects in course of time. Moreover, the efficient operation of a costing system and periodical financial statements enables a check to be kept, and for any discrepancies in the financial workings to be adjusted. These are not counsels of theoretical perfection, because their efficient application will prevent wastage and enable numerous questions, such as redundancy and obsolescence of plant, to be traced and dealt with. These statements will also point to the need for the review, from time to time, of methods in use for manufacturing and handling products. This aspect of company administration has a direct bearing upon financial questions.

THE CONSTITUTION OF RESERVES.

I have dealt with some of the methods which may be utilised to raise new capital. But in many cases the more satisfactory method is that of progressively increasing the capital employed in the business by the building up of strong financial reserves. A reserve consists of an accumulation of undistributed profits, invested either outside the undertaking (say, in gilt-edged securities), or in the undertaking itself, according to the purpose for which it is "reserved." If adequate reserves have been provided, in the past, when the time arrives for new plant or extensions involving capital expenditure, the financial resources are available in such reserves, without interfering with the general financial organisation of the company, or without resort to borrowing or to fresh issues of capital. It will be generally agreed in theory that the provision of reserves is vital to the interests of a company, but the history of company finance has shown that in many cases insufficient attention has been given to this important question.

GENERAL OBSERVATIONS.

In addressing an audience at the present time on company finance there is a strong temptation to be homiletic. The last few years have produced results in regard to company finance which are as disastrous as they are now familiar. No doubt the world-wide depression in trade has been contributory to the misfortunes of many companies. But there have been other and avoidable causes, which, in the view of many, are equally responsible for this unsatisfactory state of affairs—over-capitalisation, undue optimism as to prospects, extravagant underwriting terms and heavy preliminary expenses, and, worse than all, interested parties using the company's shares as gambling counters and being more concerned with rigging the market than the legitimate object for which the company was formed, which have unhappily involved large losses to shareholders.

I believe that the operation of the new Companies Act, which came into force in 1929, will have a salutary effect. For example, to mention but two matters, the law in regard to prospectuses has been tightened and certain items of information must be disclosed in balance sheets for the future. In addition, the London Stock Exchange has recently issued a new set of regulations, with which companies, desiring to obtain an official quotation for their shares, must comply. These steps are very satisfactory, and it is of interest to know that in regard to all of them considerably greater responsibility has been placed upon the auditors of companies. The Society of Incorporated Accountants, at its recent Conference in Sheffield, and in other ways, has given consideration to the effects of the new law and to the regulations of the Stock Exchange. The accountancy profession recognise the trust which the public has placed in it in these directions for the improvement of our company system. I am optimistic enough to believe that, in spite of the inevitable weaknesses of human nature, there is every probability that the company system which, as I mentioned at the beginning of this paper, has already rendered inestimable services to industry, may render even greater services in the future.

Whatever may be laid down by law and by regulation, there is a high moral responsibility upon the directors, promoters, officers and auditors of companies to ensure that, within the limits of reasonable risk, the genuine investor, as distinct from the speculator, shall be properly protected. We are endeavouring to build up a nation of small capitalists, and the success of this endeavour must depend upon a sound system of company finance. Whatever criticisms may be expressed, it is of interest that representatives of other countries have given careful attention and study to the system which has been built up in this country, and I believe that, if not perfect, at any rate it is sound and reasonably sufficient for current necessities.

My final observation is that the successful operation of companies depends upon the work of all those who, in one capacity or another, are responsible for administration, finance and policy. There must be a complete understanding of each other's work and of the main purpose of the company's operations, having due regard for the interests of the public, both as consumers and as shareholders.

I strongly advocate the close co-operation of the side of industrial administration with the financial department of a company, and it is for this reason I am very glad to have had the opportunity of giving, perhaps in a somewhat elementary form, a general outline of the financial development of a company, to those engaged in industrial administration.

The name of Major P. E. Robathan, F.S.A.A., C.A., senior partner in the firm of Jones, Robathan, Thompson and Co., Cardiff, London, &c., is included in the official list of the approved appointments for the Panel of Arbitrators for the South Wales (Coal Mines) Scheme constituted under the Coal Mines Act, 1930.

Notts, Derby & Lincoln Society of Incorporated Accountants.

ANNUAL DINNER AT NOTTINGHAM.

The annual dinner of the Incorporated Accountants' District Society of Nottingham, Derby and Lincoln was held at the Victoria Station Hotel, Nottingham, on January 16th, and was a most successful function.

Mr. FRED A. PRIOR, President of the Nottingham District Society, was in the chair, and among those present were: The Lord Mayor of Nottingham (Alderman A. Pollard), the Sheriff (Mr. R. E. Ashworth), Mr. E. Cassleton Elliott (Vice-President of the Parent Society), Mr. T. J. O'Connor, K.C., M.P., Mr. Holford Knight, K.C., M.P., Mr. Thomas Keens, F.S.A.A., Professor Stewart (Principal, University College, Nottingham), Mr. Douglas McCraith, M.A. (President, Nottingham Law Society), Major G. Seers (President, Nottingham Institute of Bankers), Mr. W. J. Board (Town Clerk of Nottingham), Mr. L. A. West (Official Receiver in Bankruptcy), Mr. H. W. Stevens (Chief Inspector of Taxes, Nottingham), Mr. S. H. Hill, F.C.A. (President, Nottingham Society of Chartered Accountants), Mr. A. A. Garrett (Secretary, Parent Society), Mr. J. A. Hulme (President, Manchester and District Society), Mr. F. W. Clarke (President, Leicester and District Society), Mr. W. T. Manning (Secretary, Leicester and District Society), Mr. L. O. Need (Town Clerk of Lincoln), Mr. H. R. Rider (Editor, *The Nottingham Journal*), Mr. E. Bailey (President, N.E. Midlands Branch of the Chartered Institute of Secretaries).

Mr. S. BLYTHEN, O.B.E., F.C.A., F.S.A.A., proposing the first toast, "The City of Nottingham," said that since the war great undertakings had come into being, and it was their responsibility to see that they were successful. No good purpose would be served by groaning under their burdens. They were particularly pleased to have the honour of having the Lord Mayor with them, and offered him the heartiest congratulations of the Society.

The LORD MAYOR, in responding, said the City was progressing as fast as, if not faster than, many other important cities in the country. A great deal of that progress was due to the leadership of men who had made great sacrifices in regard to their business, their health and their leisure. Nottingham must be a remarkably attractive city to those without. The city had again established a record by having three K.C.'s as M.P.'s. This year, University College was celebrating its jubilee. No less than £141,000 had been raised towards the endowment fund, and he hoped that all would do their utmost to complete the £250,000 aimed at.

Mr. O'CONNOR, K.C., M.P., in an amusing speech, proposed the toast of "The Society of Incorporated Accountants and Auditors." He said there was a great gulf fixed between his profession and theirs. He belonged to a profession with a past and very little else—(laughter)—whereas they belonged to a profession with a future so rosy that there were few which offered more prospects of use to the community or of prosperity to those who embarked upon it. There was hardly any aspect of our national life into which accountancy did not enter. A knowledge of accountancy was absolutely essential before any comprehensive study of our national accounts could be made. It was an essential quality of business. There were, too, few of the more delicate nuances of modern crime which were understandable without a complete knowledge of accountancy. (Laughter.) The accountant of to-day had his hand on every feature of our communal activity. Their Society and profession called above all

things for the highest possible integrity in the work they were called upon to carry out, and it was important, therefore, that they should incorporate themselves in the way they had done in this Society to maintain the extremely high prestige which the profession so justly enjoyed in the business world to-day. He himself considered it so much the profession of the future that, had he a son, he would indeed have apprenticed him to the profession. Before many years passed it would be just as much a matter of course that a young man leaving the University should be sent to serve in an accountant's office as it used to be for him to pass his Bar examination or to qualify as a solicitor. He was constantly driven to regret that he had not had the opportunity to learn something of accountancy as the best equipment for his own profession. He thought the Government of the day—indeed, any Government—ought to make more use than it did of the profession of accountancy. Whether they were Socialist, Liberal or Conservative, no one could have anything but regret for the amount of money that went into perfectly wasteful and useless channels. A great deal of this waste of capital that went on around us could be avoided if the Board of Trade entrusted representative accountants with the task of scrutinising new issues and issuing reports upon them before they were placed before the public.

Mr. E. CASSELETON ELLIOTT (Vice-President of the Parent Society) responded. He said he was quite in agreement with Mr. O'Connor in regard to what he had said respecting new issues, excepting when they were sponsored by well known and responsible accountants. These issues should be sponsored before they were hawked about. He was sure that that matter was going to be dealt with very shortly. He felt he had a personal touch with Nottingham, for a young man from Nottingham had come into his office and he would like to pay tribute to the training he had received in the city. Looking at the Year Book, he was pleasantly surprised at the number of honours men there were in the Nottingham district. The number in Nottingham alone was 7, in Derby 3, and in Lincoln 1. He should say that was the highest percentage of any District Society in the whole of the kingdom. He was one of the Examination Committee, and he would say that if any man was awarded honours he had done very well indeed. He must have been well trained, must have studied during the whole of his spare time, and his District Society must have helped him to reach that degree of excellence. To their young men he would say that those who secured honours in the Final examination would have no difficulty in finding a position. The Society laid great stress on education. Even after a man had served five years his education had not finished. It was necessary for him to go on year by year, and they who were older men in the Society were still studying. Sometimes they had to study the new Acts because they seemed to touch finance in some way or other. Men came to them and said they wanted their boys to come into their offices for a short time. His reply to that was that it was quite impossible to teach a son accountancy in a year or two as was suggested; he should undertake to study at least five years. However clever a man might be, he could not acquire the knowledge necessary for the profession in such a short time. If they wanted to train their sons they should article them for a definite period of four or five years, and they would never regret the length of the period. They were proud of their Society. (Hear, hear.) They numbered now 5,427 members. Those members had not been received all in one year or two years; their Society was established in 1885. The standard set was so high that a man must be a good accountant to qualify. Those who studied

the examination results would see that they did not by any means pass all those who entered. In the Institute a man could not be a qualified accountant unless articulated. Their Society had an open door. If a man had been in an accountant's office six years and had a certificate from his employer that he had done his work well, he was allowed to sit for his Intermediate. After another three years he was allowed to sit for his Final examination if equally satisfactory. That was a very great opening for a young man of ability. It enabled him to become an accountant without the cost of articles. One other thing: their qualification was world wide. They could go all over the world and find Incorporated Accountants everywhere. He had travelled widely, and in almost every place he had found an Incorporated Accountant, and that man was carrying the flag of Incorporated Accountancy well. They did their best to enhance the prestige and integrity of the profession, and to help the public in regard to their affairs. Their first interest was their clients. If they did their work well by their clients they always got adequate remuneration. Mr. Elliott concluded by paying a tribute to the District Society and expressed his pleasure at being present.

The PRESIDENT (Mr. Fred Prior) then submitted "The Legal and Kindred Professions," and in the course of a humorous speech regretted the type of lay Press that advocated cheaper law. He, personally, would hate to see the time when a person got his law by contract.

Mr. DOUGLAS McCRAITH replied in a witty speech, at the same time making appreciative reference to the kindred societies represented.

Mr. J. W. MEE, A.S.A.A., proposed the toast of "The Guests," and alluded with gratitude to the presence of Presidents from other districts. He also paid tribute to the work done for the Society during his period of office by Mr. Keens.

Mr. HOLFORD KNIGHT, K.C., M.P., responded, congratulating the Society on the success it had attained and the reputable position it held in regard to the great profession of accountancy. Parliament was about to resume. The financial commitments of the country required the unceasing attention of Parliament, particularly in regard to armaments and unemployment insurance. He wanted to add this: he was convinced that the House of Commons would not sanction expenditure in assistance of non-provided schools unless an effective public control of the outlay were assured. He regarded it as an essential principle of public administration that expenditure from public funds should be most carefully and accurately controlled by public bodies. All sections of the House of Commons desired to meet just claims, and Members of Parliament could do no more than undertake to carry out their duties according to their conscience and ability. Whether their action was approved or disapproved, they would be performing the highest duty which could rest on any British citizen—to represent his fellow citizens without fear or favour in the councils of the nation.

Mr. THOMAS KEENS proposed the last toast, that of "The Chairman," which was enthusiastically honoured. As Chairman of the District Societies Committee, he said that, according to the reports they had received, the scheme regarding District Societies, launched during his period of office, had been a wonderful success. From every quarter they had received reports that it had been the means of revivifying societies which were in danger of falling off, and the new London and Home Counties Society, which had been formed to act as a link in the long chain, had been most successfully launched. He wanted to congratulate the members in this district on the work they were doing. The Vice-President had called

their attention to the fact that they had the enviable reputation of having so large a number of honours men. All he could say now was that the District Societies Committee was considering means whereby it could be of greater service to the District Societies, and he thought he could say, without giving details, that they were within measurable distance of being able to get a panel of specialist lecturers who would be available for the provinces. To work that properly it would be necessary to arrange for them to give their addresses in a circuit, and therefore the arrangements would have to be made through the central office. They hoped to bring that to a successful issue.

The CHAIRMAN having replied, the proceedings concluded with the National Anthem.

Changes and Removals.

Mr. A. Percy Bardell, Incorporated Accountant, has removed his offices to 8, Vyse Street, Birmingham.

Messrs. Benbow & Airs, of 2A, Sheep Street, Northampton, have admitted into partnership Mr. Howard Benbow and Mr. V. J. H. Harris, Incorporated Accountants. The name of the firm is unchanged.

Messrs. Blease & Sons, Chartered Accountants, Liverpool and London, have admitted into partnership Mr. Samuel Woodyer, A.C.A., Incorporated Accountant.

Mr. A. C. Bryant, Incorporated Accountant, has removed his offices to Pelouin Chambers, 18, St. Augustine's Parade, Bristol.

Mr. Herbert Greenwood, Incorporated Accountant, is now in practice at Grad's Buildings, Reitz Street, Kroonstad, South Africa.

Messrs. Walter Hunter, Bartlett & Co., Incorporated Accountants, 24, Bridge Street, Newport, Mon., London and Cardiff, announce that the name of the firm has been altered to Walter Hunter, Bartlett, Thomas & Co.

Messrs. Mannington & Hubbard, Hastings and Bexhill, announce that they have taken into partnership Mr. Brian R. Porter, Incorporated Accountant.

Mr. H. T. P. Nichols, Incorporated Accountant, announces that he commenced to practise at 77, Chandos Road, Stratford, London, E.15, on October 1st, 1930.

Mr. A. V. Overton, Incorporated Accountant, has commenced public practice at 59, George Street, Great Yarmouth, and Church Street, Dereham, Norfolk.

Mr. B. M. Patton, Incorporated Accountant, is now practising under the style of B. M. Patton & Co., at 84, Union Street, Torquay.

Mr. T. Harold Platts, Incorporated Accountant, practising as T. Harold Platts & Co., at 126, Colmore Row, Birmingham, and 8, St. Andrew's Street, Droitwich, and New Road, Bromsgrove, announces that he has taken Mr. Jack Seedhouse, Chartered Accountant, into partnership as from January 1st, 1931. The style of the firm will remain unchanged.

Mr. T. H. Waterhouse, Incorporated Accountant, has removed his offices from 51, Devonshire Road, to 20, Eversley Road, Bexhill-on-Sea.

Mr. Hubert B. Southam, A.S.A.A., has been appointed Secretary and Accountant to the Birmingham Jewellers' and Silversmiths' Association as from February 1st, 1931.

ROYAL NAVAL RESERVE

(ACCOUNTANT OFFICERS).

FOURTEENTH ANNUAL RE-UNION DINNER.

The annual dinner of Accountant Officers, R.N.R., was held at the Piccadilly Hotel, London, on January 23rd, when the Mess President was Paymaster Commander F. F. Aldridge, R.D., R.N.R., who was supported by the following guests and members: Admiral Sir J. D. Kelly, K.C.B., Admiral Commanding Reserves; Vice-Admiral L. G. Preston, C.B., Fourth Sea Lord; Paymaster Commander R. M. Heath, R.D., R.N.R., Paymaster Commander W. Lacon Threlford, M.B.E., R.D., R.N.R., F.C.A.; Paymaster Rear-Admiral H. W. E. Manisty, C.B., C.M.G., Paymaster Director-General; Captain C. G. Ramsey, R.N.; Paymaster Captain H. M. Boxer, C.M.G., M.V.O., R.N., Secretary to Admiral Commanding Reserves; Paymaster Commander C. G. Johnson, R.D., R.N.R., Mr. W. J. Gick, C.B.E., Mr. W. J. Evans, C.B., C.B.E., Paymaster Commander A. W. Fry, R.D., R.N.R., Paymaster Commander D. R. Mackenzie, R.D., R.N.R., Mr. John S. Watkins, O.B.E., Paymaster Captain F. J. K. Melsome, R.N., Paymaster Commander F. Ward, R.D., R.N.R., Paymaster Commander R. R. Payne, R.D., R.N.R., Mr. J. D. Jepson, Paymaster Commander F. Markham, R.D., R.N.R., Paymaster Commander H. Elliot Clarke, R.D., R.N.R., Paymaster Commander G. D. White, R.D., R.N.R., Paymaster Lieut.-Commander R. F. Vandervord, R.D., R.N.R., Paymaster Lieutenant J. A. Franklin, R.N.R., Paymaster Commander H. A. K. Little, R.D., R.N.R., Paymaster Commander B. K. Jarrett, R.D., R.N.R., Paymaster Lieut.-Commander A. Simon, O.B.E., R.D., R.N.R., A.C.A., Paymaster Commander C. J. H. Cowdy, R.D., R.N.R., F.S.A.A., Lieutenant A. Bayly Jones, R.N.V.R., Paymaster Lieutenant N. Bell, R.N.R., Paymaster Commander A. H. Sudell, R.D., R.N.R., Paymaster Commander B. H. Cooper, R.D., R.N.R., Paymaster Lieut.-Commander E. A. Burrows, R.N.R., A.S.A.A., Paymaster Lieut.-Commander A. E. Turner, R.N.R., A.S.A.A., Paymaster Lieutenant R. J. Pigott, R.N.R., F.C.A., Sub-Lieutenant L. S. Argent, R.N.V.R., F.C.A., Captain H. E. Colesworthy, A.C.A., A.S.A.A., Paymaster Commander T. Martin, O.B.E., R.D., R.N.R., Paymaster Lieut.-Commander A. W. Laybourne, R.N., Paymaster Commander H. V. Such, O.B.E., R.D., R.N.R., Paymaster Lieutenant S. T. Morris, R.N.R., F.S.A.A., Paymaster Lieut.-Commander A. A. Garrett, R.N.R., Paymaster Commander J. H. Benwell Lejeune, R.N., Mr. H. L. Layton, A.S.A.A., Paymaster Sub-Lieutenant J. F. Masters, R.N.R., A.C.A., Paymaster Lieutenant W. J. Dowdell, R.N.R., F.C.A., Paymaster Commander A. E. Loder, R.D., R.N.R., Paymaster Lieutenant H. Alden, R.N.R., A.S.A.A., Paymaster Lieut.-Commander R. J. Hayward, R.N.R., F.C.A., Mr. C. H. Barclay, A.C.A., Paymaster Lieut.-Commander E. E. West, R.D., R.N.R., Lieutenant S. W. Saunders, Machine Gun Corps.

The toasts of "The King" and "Absent Friends" were given by the Mess President, who also proposed the toast of "Our Guests."

Admiral Sir J. D. Kelly, K.C.B., Admiral Commanding Reserves, who responded to the toast, received a cordial reception. He said he was proud to feel he was their own Admiral and assured his brother officers of his appreciation of the support they had given him during the time he had held his present command. He knew of their continued interest in the Reserve of Accountant Officers by reason of the help many of them had given in suggesting candidates for vacancies on the roster. He hoped they would

continue that work in addition to their normal and regular duties in carrying out training and to their sustained interest in the Service.

The toast of "The Royal Naval Reserve" was proposed by Vice-Admiral L. G. Preston, C.B., Fourth Sea Lord, who expressed regret at the absence through illness of the Second Sea Lord, Controller of the Navy, Vice-Admiral Sir Charles Fuller, K.C.B., C.M.G., D.S.O. Admiral Preston said he was delighted to be a guest that night and hoped to meet them again.

A response on behalf of the Royal Naval Reserve (Accountant) officers was given by Paymaster Lieut.-Commander S. J. Read, R.D., R.N.R.

The Hon. Secretary, who was responsible for the admirable arrangements made, was Paymaster Lieut.-Commander R. J. Hayward, R.N.R., A.C.A.

Scottish Notes.

(FROM OUR CORRESPONDENT.)

Glasgow Students' Society.

A meeting of the above Society was held on the 20th ult. Mr. John A. Gough, F.S.A.A., presided over a good attendance, and made a sympathetic reference to the loss the Society had sustained by the death of the President, Mr. Andrew Robertson Weir. Short papers were read by Mr. Thomas Tinto, A.S.A.A., on "Rating and Taxation"; by Mr. Alexander Philip, A.S.A.A., on "Changes in Municipal Accounts consequent on recent Legislation"; and by Mr. Alfred Palmer, A.S.A.A., on "Capital Appreciation." A discussion took place, which was taken part in by the Chairman, Mr. James Paterson (Secretary of the Scottish Branch), Mr. C. M. Vance, and others.

An Aberdeen Appointment.

The Aberdeen Town Council have appointed, out of a large number of applicants, Mr. David Ritchie Bishop, Incorporated Accountant, a member of the staff of the City Chamberlain, to be Assistant City Chamberlain. Mr. Bishop qualified in 1925.

Dundee Savings Bank.

The Trustees of the Dundee Savings Bank have appointed Mr. Alexander Lewis Ross, M.B.E., Central Inspector, Trustee Savings Banks Inspection Committee, 3-4, Clement's Inn, London, W.C., to be Assistant Actuary of the Bank. Mr. Lewis Ross qualified with Honours in 1915.

Presentation to Dr. John Bell, F.S.A.A.

An interesting presentation was made to Mr. John Bell, F.S.A.A., last month. In addition to being an enthusiastic Incorporated Accountant, a Vice-President for many years of the Scottish Branch, and a fervid Scotsman, Mr. Bell, who holds the degree of Doctor of Music, and who has conducted a widely known select choir, was last month presented by members of the choir on his retiral after forty-five years' service as conductor. Dr. Bell's choir had the unique distinction of appearing, during that period, at each of the three great Exhibitions held in Glasgow.

The Burns' Cult.

The third week in January is a busy time for Scotsmen all the world over interested in the Ayrshire Bard (and

what true Scotsman is not), for then the Poet's memory is duly celebrated. This year Mr. J. Stewart Seggie, Edinburgh, fulfilled a number of engagements, including the Carlisle Burns Club, where he spoke on the Crown, the Sceptre and the Sword (Scotland's Honours for Burns). Several Scottish Incorporated Accountants also took part in the celebrations, while in North Staffordshire Mr. J. Paterson Brodie was responsible for a very successful gathering, at which Mr. James Paterson, of Glasgow, also spoke.

Municipal Finance.

In a recent address in Edinburgh on "The Development of Municipal Finance," Treasurer Harvey, Edinburgh, said that the tendencies during the past half-century had been all toward consolidation. This was particularly noticeable in the three sources of revenue—local rates, Government grants, and borrowing. A review of consolidation showed that rationalisation was not new to local authorities, and he claimed that considerable economies had been effected, the interest charges on education in Edinburgh since the transfer of the authority and its finances being operated from the City Loans Fund. On the expenditure side the same tendency was noticeable. The ideal local authority was one which would control all local services in a given area, levying a single rate, offering a common security for loans both capital and ordinary, and drawing upon one bank account to meet these expenditures—the account being fed with all revenues raised by the local authority from whatever source.

An Executor's Liability.

An action has been decided by Lord Moncrieff relating to the liability of an executor for debts incurred by a firm of which he had been a partner, but which partnership had been dissolved by his death, for debts subsequently incurred. The late Alexander Taylor, who died on April 28th, 1925, was a partner of a mercantile firm in Portugal. The co-partnership deed, dated in 1919, provided that in the events which had happened the co-partnership should be dissolved by the death of Mr. Taylor, which occurred in 1925. The deed was duly registered in Portugal, but the dissolution was not, although the dissolution was regarded by the remaining partners as effectual and Mr. Taylor's executrix received substantial payments from the surviving partner. In 1927 the firm—in which additional partners had been assumed—sustained severe losses and were declared bankrupt with a deficiency estimated at £35,000. The Judicial Administrator of Bankruptcies, Oporto, claimed that by the law of Portugal Mr. Taylor's estate continued liable with unlimited liability, the dissolution not having been registered, and he sued Mr. Taylor's widow as executrix for an accounting of his estate, and failing an accounting, for payment of £35,000. Mr. Taylor's widow died during the proceedings, and her daughter, as her executrix, was sisted as defender.

Lord Moncrieff held that the defender, as executrix and trustee of her mother, was not bound to account, and pronounced decree of absolvitor. The office of executor was a personal office which did not transmit. An executor, in his Lordship's opinion, was under no fiduciary relation with creditors, and was at most a debtor to creditors with a liability limited by the amount of the deceased's estate. The defender averred that the total estate of Mrs. Anne Taylor, to which she confirmed, amounted to £18 10s.

Notes on Legal Cases.

[The abbreviations at the end of each of the cases refer to the following law reports, where full reports of the case may be found. The Law Reports and other reports are cited with the year and the Division, e.g. (1925) 2 K.B. :—

T.L.R., *Times Law Reports*; *The Times*, *The Times Newspaper*; L.J., *Law Journal*; L.J.N., *Law Journal Newspaper*; L.T., *Law Times*; L.T.N., *Law Times Newspaper*; S.J., *Solicitors' Journal*; W.N., *Weekly Notes*; S.C., *Sessions Cases (Scotland)*; S.L.T., *Scottish Law Times*; I.L.T., *Irish Law Times*; J.P., *Justice of the Peace (England)*; L.G.R., *Knight's Local Government Reports*; B. & C.R., *Bankruptcy and Company Cases*.

The other abbreviations used in modern reports are H.L., House of Lords; A.C., Appeal Court (House of Lords and Privy Council); C.A., Court of Appeal; Ch., Chancery Division; K.B., King's Bench Division; P., Probate, Divorce and Admiralty Division; C.S., Court of Session (Scotland); J., Mr. Justice (King's Bench or Chancery); L.J., Lord Justice; L.C., Lord Chancellor; M.R., Master of the Rolls; N.I., Northern Ireland; P., President of Probate, Divorce and Admiralty.]

COMPANY LAW.

Cousins v. International Brick Company, Limited.

Validity of Proxy.

An Article of a company provided that a vote given in accordance with the terms of a proxy should be valid notwithstanding the previous death of the principal or revocation or transfer of the share in respect of which the vote was given, provided no intimation in writing of the death, revocation or transfer should have been received before the meeting.

It was held that the object of the Article was not to preclude a shareholder who had given a valid proxy from voting in person but to protect the company from any liability to inquire whether a proxy validly used had been revoked or not, and that, in the absence of any special contract between a shareholder and the company expressly excluding the right to vote in person where a valid proxy has been given, the right of the shareholder to vote in person is paramount to the right of the proxy.

(Ch.; (1930) 47 T.L.R., 93.)

South London Greyhound Racecourses, Limited, v. Wake.

Share Certificate sealed without authority.

A company failed to pay a debt for £1,175 for which the defendant was pressing. A certificate for 2,000 10s. shares, signed by a director and the secretary, was issued to the defendant, which he accepted as security for payment of the debt and on the faith of which he abstained from any further action to recover the debt. The seal of the company was affixed without any authority. The company brought an action for a declaration that the defendant was not entitled to the shares and for rectification of the register.

It was held that the certificate was not binding on the company and must be treated as a forgery. The fraud was the affixing of the seal. The doctrine that investigation as to whether the conditions regulating the internal management of the company had been complied with might be dispensed with had no application to the case of a forged document. If the defendant were asking to be put on the register, the position would be different. It was no defence to say that affixing the seal was a matter in which normally a director would have power to act for the company, and was a matter which did not oblige the defendant to inquire further whether the formalities required by the Articles had been complied with. The certificate must be treated as a nullity.

(Ch.; (1930) W.N., 243.)

INSOLVENCY.

*In re Cockell.
Priority of Crown.*

A testator who died intestate left all his property to his executor. The estate was insolvent and the executor was one of the creditors of the testator as well as the Commissioners of Inland Revenue, who claimed as preferential creditors for arrears of income tax.

The Court of Appeal affirmed the decision of Clauson (J.) (see *Incorporated Accountants' Journal*, September, 1930, p. 522), and held that an executor who is creditor of his testator can retain his debt as against a claim by the Crown for income tax.

(C.A. ; (1931) W.N., 4.)

REVENUE.

National Pari-Mutuel Association, Limited, v. The King.

Duty Paid under Mistake of Law.

The appellants paid betting duty under sect. 15 of the Finance Act, 1926, in respect of a totalisator, and afterwards the House of Lords, in a precisely similar case, held that betting duty was not payable. The appellants then presented a petition of right claiming the return of the amount of the duty on the ground that it had been paid under a mistake of fact.

It was held by the Court of Appeal, affirming the decision of Branson (J.) (see *Incorporated Accountants' Journal*, October, 1930, p. 42), that the appellants' mistake as to their liability to the duty was a mistake of law and not of fact, and therefore they could not recover.

(C.A. ; (1930) 47 T.L.R., 110.)

Tarrant v. Roberts.

Excess Profits Duty.

The appellant became liable for the payment of excess profits duty in respect of the profits of his business in 1918 and 1919. By agreement with the Revenue Authorities the greater part of that duty was not paid when due but was allowed to stand over as an amount due to the Revenue. In 1920, however, the appellant's business suffered a big loss and there was a large deficiency in duty. By agreement in January, 1923, after setting off the sums due to the Revenue from the appellant for excess profits duty for 1918 and 1919 and those due to be repaid by the Revenue to the appellant in respect of his losses in 1920, a small balance was due to the appellant and was repaid to him in January, 1923. The appellant was assessed to income tax for 1923 on the amount of the excess profits duty so set off, the contention of the Revenue being that in effect the excess profits duty for 1918 and 1919 had been repaid to the appellant.

It was held that the mutual agreement to set off one claim against the other amounted to a payment by the appellant within the meaning of sect. 36 of the Finance Act, 1921, and a repayment by the Revenue, and the amount of such repayment was a subject matter of income tax for 1923.

(K.B. ; (1931) 47 T.L.R., 199.)

Archer-Shee v. Garland.

Foreign Securities, Stocks and Shares.

The residuary estate of a testator, who was an American citizen, was directed by his will to be held in trust to apply the income to the use of the wife of the appellant during her life. The sole trustee was resident in New York, and the trust fund consisted solely of foreign securities, stocks and shares. The appellant was assessed to income tax in respect of his wife's income, and he appealed to the Special Commissioners, before whom evidence was given showing that by the law of New York the specific property in the securities, stocks and shares was in the hands of the trustee and that the appellant's wife merely had a right to compel the trustee to apply the income to her use. The Special Commissioners held that the wife's income must be treated as derived from the trustee and not from securities, stocks, and shares and was therefore not assessable under Case IV and Rule 1 of Case V of Schedule D, but was assessable under Rule 2 of the latter case to the extent only to which such income was remitted to the United Kingdom.

It was held by the House of Lords that since according to the law of New York the appellant's wife had no property interest, but only a chose in action available against the trustee, the income arose from "possessions out of the United Kingdom, other than stocks, shares, or rents" within Rule 2 of Case V, and the decision of the Special Commissioners was right.

(H.L. ; (1931) 47 T.L.R., 171.)

Stedeford v. Beloe.

Pension.

The respondent, the head master of a school, resigned, and the council of the school granted him a pension of £500 a year. There was no method by which the respondent could have qualified for a pension, and the council had the right at any time to cease making the payment to the respondent.

Rowlatt (J.) held that the pension was not subject to income tax.

(K.B. ; (1931) 47 T.L.R. 175.)

Inland Revenue Commissioners v. Holder.

Repayment of Income Tax.

The respondents gave guarantees to secure a company's continuous indebtedness to a bank, the interest being debited half-yearly against the company in the company's account with the bank. Finally, the whole indebtedness of the company to the bank was satisfied by the respondents, and under sect. 36 of the Income Tax Act, 1918, the respondents claimed repayment of income tax on the interest.

Rowlatt (J.) held that a guarantor was entitled to the benefit of sect. 36 in the same way as the principal debtor, and that the arrears of interest paid by the respondents could not be treated as capital and therefore the respondents were entitled to the repayment claimed.

(K.B. ; (1931) 47 T.L.R., 176.)

Seaham Harbour Dock Company v. Crook.

Government Grant to relieve Unemployment.

The Court of Appeal reversed the decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, July, 1930, p. 440), and held that where a dock company had received a Government grant equivalent to half the interest on certain loans to the company for a period of two years, the grant being made to assist the company in carrying out useful work for the relief of unemployment, the grant was capital and was not liable to income tax.

(C.A. ; (1930) 47 T.L.R., 26.)

Towle v. Improved Industrial Dwellings Company, Limited.

Assessment of Building let in different Tenements.

A company owned a block of artisans' dwellings which consisted of self-contained flats. The dwellings were assessed in the valuation list as separate flats and not in groups, but the income tax assessment was made on the company in respect of each group approached from the street by a separate entrance, the amount of the assessment being arrived at by adding together the gross values shown in the valuation list for each flat in the group. The consequence was that the allowance for repairs was reduced and (as the company contended) that no allowance for voids or loss of rent could be claimed unless all the flats in a particular group were producing no rent. The company contended that each flat ought to be assessed separately.

It was held by the Court of Appeal, affirming the decision of Rowlatt (J.) (see *Incorporated Accountants' Journal*, August, 1930, p. 482), that the application of rule 8 (c) of No. VII of Schedule A was not excluded in the Administrative County of London by the preliminary words of Schedule A as to the conclusiveness of the valuation list under the Valuation (Metropolis) Act, 1869, and each group of flats was to be assessed as one house, and that the assessment was properly made by adding together the values of all the flats in the group.

(C.A. ; (1930) 47 T.L.R., 74.)